

EDUCATION FOR SUSTAINABLE DEVELOPMENT (ESD)

Anti-Fraud Policy

1. Purpose

It is the policy of EDUCATION FOR SUSTAINABLE DEVELOPMENT (ESD) and all ESD's programme coordination offices and liaison offices to conduct our work in an honest, open and ethical manner. ESD is opposed to fraud in any aspect of its work. This policy addresses the responsibility of members of the ESD Board of Directors (which includes the board of directors of ESD, ESD employees and management with regard to the detecting and reporting of fraud or suspected fraud.

The purpose of the Anti-Fraud policy is to give effect to ESD's duty to protect from abuse of funds, assets, staff, security procedures, policies and the communities with and for whom ESD works.

The policy outlines safe and effective procedures for the reporting or disclosure of suspected fraud, or the likelihood of fraud in order that appropriate remedial action can be taken by the organisation.

2. Scope

The Anti-Fraud policy applies to the ESD Board, to all members of staff, either full- or part-time and to any paid or unpaid volunteers who provide services to ESD.

The principles and definitions of this policy extend to external organisations and individuals with whom ESD has relationships - for example, to implementing partners, contractors, donors, beneficiaries, and members of the public.

External actors cannot however be entirely legally bound by ESD policies. Responses to fraudulent activity on the part of such actors will ultimately be determined by the terms of contract. Where ESD's standard terms and conditions apply, and wherever appropriate, redress may be sought through robust legal action.

3. Policy

ESD is committed to fundamental values of integrity, transparency and accountability. Fraud in all its forms is wrong and unacceptable to ESD, as it will ultimately lead to a loss to our beneficiaries and may have major impact upon ESD's reputation.

ESD will conduct, manage, monitor and control all operations and programmes in a manner that reduces and, as far as possible, eliminates opportunities for fraudulent activity.

It is the policy of ESD to identify and promptly investigate suspected fraud or related dishonest activities against ESD and, when appropriate, to pursue legal remedies available

under the law. ESD aims to promote an organisation -wide culture which encourages the prevention of fraud by raising awareness of the need for high standards of personal conduct.

It is also the policy of ESD to operate due diligence in dealing with third parties and all associated relationships, direct and indirect, whereby charitable business is conducted only with reputable, honest and qualified third parties. ESD should take all reasonable precautions to ensure that third party relationships comply with ESD's Anti-Fraud policy.

Any act of fraud established upon investigation, or a criminal conviction, or through written acknowledgment by those concerned, shall result in the appropriate disciplinary and legal actions against the employee(s) and/or entities.

Actions may include an immediate termination of employment, a demand for restitution and/or forwarding information to the appropriate authorities for criminal prosecution.

4. Definitions

The term "fraud" is used to describe a whole range of activities such as deception, forgery, theft, misappropriation, false reporting, concealment of material facts and collusion. In general fraud involves deception with intent to make a gain (for oneself, a connected person or third party) or to cause a loss, or to expose another to a risk of loss. Fraudulent activity in relation to bribery and corruption is covered in a separate policy, refer to ESD Anti-Bribery and Corruption Policy.

For the purposes of this policy, fraud shall include but not be limited to:

- Theft or misappropriation of ESD assets
- Inappropriate personal use of ESD assets
- Submitting false claims for payments or reimbursement of expenses
- Forgery or alteration of documents
- Blackmail or extortion, off-books accounting, or making false or fictitious entries
- Knowingly creating and/or distributing false or misleading financial information and reports
- Using information in the wrong way, disclosing confidential information without proper cause
- The unauthorised destruction or removal of records
- Paying of excessive prices or fees where the justification for this is not appropriately approved or documented
- Violation of ESD's policies and procedures with the aim of personal gain, or to the detriment of ESD

- Negligence in maintaining accurate and proper records in relation to business performed by ESD, and not performing internal control policy and procedure of the same
- Wilful negligence intended to cause damage to the material interest of ESD
- A dishonourable or irresponsible or deliberate act against the interests of ESD

5. Responsibility for the Detection and Prevention of Fraud

The Board, Senior Management Team, managers and employees at all levels are responsible for exercising due diligence and controls to prevent, detect and report acts of fraud. ESD's Administration and Finance department performs an independent and objective function within ESD, to ensure that a robust system of internal control exists. Its terms of reference include: fraud prevention, detection and investigation.

Senior management must ensure that every member of staff is aware of their responsibilities and, where appropriate, the actions required of them in this regard. This policy must form part of induction training to ensure that the employee is aware, as far as possible, of how fraud occurs, how to identify it and understand the procedure of reporting. Staff should be encouraged to report suspected incidences of fraud.

Where fraud is detected, senior staff members are responsible for taking appropriate corrective actions and applying safeguards to prevent any reoccurrence.

Responsibility of senior staff and Managers

Senior staff and managers are expected to set an example by complying fully with ESD's policies, procedures and controls. Senior staff and managers should be familiar with the type of fraud that might occur in their area of responsibility and be alert for any indications of fraud occurring.

In particular they should:

- ensure ESD's systems and financial controls and procedures are understood by staff;
- regularly check on the application of these controls; and
- regularly review control procedures and update them where necessary.

See also Appendix III: Risks – Assessment and Management.

Responsibility of Employees

It is the responsibility of all employees to conduct the business of the organisation in a manner that prevents, as far as possible, any opportunity for fraud. Employees must also be alert to the possibilities for fraud, and always be on guard for any indications that improper or dishonest activity is taking place.

It is the responsibility of the employee who suspects fraud to report the matter. Any failure to do so may lead to disciplinary procedures being instigated, including dismissal and/or legal proceedings.

Any person who, in good faith, makes a genuine and reasonable report of alleged fraud under this policy can be assured that their concerns will be taken seriously and investigated in accordance with this policy and that he or she will not be penalised in any way as a result of making such a report.

An employee who threatens or seeks in any way to intimidate or victimise a person for reporting a suspected fraud or who seeks to deter a person from raising valid concerns under this policy will be subject to ESD's disciplinary procedures, up to and including dismissal from employment.

Unfounded allegations If it is found that an employee has knowingly lodged a false report(s) against a colleague(s), this will be regarded and treated as a serious disciplinary offence, to be dealt with in accordance with ESD's disciplinary procedures.

Responsibility of the Organisation Periodic Risk Assessments:

ESD Audit and Risk Committee (ARC) shall at a minimum of once annually; assess, update and record existing and potential risks to the organisation's human and material assets.

Training and Communication: ESD shall effectively communicate this policy to all personnel, partners and third parties. ESD will also provide appropriate anti-fraud training to all personnel;

Monitoring: The Audit and Risk Committee shall monitor the implementation of this policy. All Policies are subject to periodic update, any updated policies will be communicated through the appropriate channels.

6. Procedures for Reporting and Investigating Alleged Wrong Doings

It is the responsibility of all ESD staff to report any suspicions of fraud without delay in accordance with the procedure set out below.

Great care must be taken in dealing with suspected dishonest or fraudulent activities to avoid:

- levelling unsubstantiated accusations;
- alerting suspected individuals that an investigation is underway; or
- treating employees unfairly.

On no account should any matter relating to a suspicion, active investigation or proven case of fraud be discussed with anyone inside or outside ESD, except at the specific direction of the Head Office.

The following general principles should apply in the reporting of suspected fraud:

1. Anyone who suspects wrong-doing should, in the first instance, report the matter immediately to their Executive Director, or, if employed at ESD's field office their senior manager. See Appendix IV "Progressing Concerns about a Suspected Wrong-doing".
2. In circumstances where a whistle blower suspects a conflict of interest, or believes their confidentiality will not be respected, they can contact the Head Office directly. If there are similar difficulties with reporting to the Head Office, they may report directly to the ARC or, as a final resort, to the Chairman of the Board.
3. If the individual who suspects the wrong doing is not a senior manager they should not attempt to confront or interview the person(s) about whom they have suspicions. Their duty is to only report the matter as per point one. This is a specialised area and will have implications in any subsequent legal proceedings.
4. Nor should the individual directly contact the police, as this is a matter for senior managers to initiate.
5. Upon receiving a report of suspected wrong doing, the Senior Manager/Executive Director should prepare an initial report (Appendix I) and submit to the HEAD Office within 24 hours. In the event this is not possible, the matter must be explained in any initial report.

6. No formal investigation may be launched without approval from ESD's Head office. 7. A comprehensive incident report (Appendix II) will be required, the timing of the submission of which will be agreed with the Head Office.

Note: External parties (including auditors, consultants, beneficiaries and members of the public) are free to report on suspected wrong doing on the part of ESD related individual or organisation.

An employee or outside party may choose to communicate their concerns to ESD anonymously.

Confidentiality: ESD will respect and protect the confidentiality of a whistle-blower (refer to ESDs Whistleblowing Policy) provided however that his/her identity and the allegations made by him/her will be shared with the persons investigating the alleged wrongdoing and, where relevant, the ARC.

In addition, ESD may be required to reveal the identity, or provide information that would indicate the identity, of a whistle-blower if the matter is referred to local law enforcement or if so required by a court of law.

Confidentiality can only be effective if a whistle-blower does not make his or her identity known to a third party.

7. Procedures for the Investigation of Alleged Wrong doings

The Head office will, in line with any legal or other advice, co-ordinate ESD's response. It is the responsibility of the HEAD Office to inform the Board and the Audit and Risk Committees of incidences of reported wrong doings, and to provide status reports where investigations are on-going.

- Investigations will be conducted by appropriately qualified, experienced and independent ESD staff or, where deemed appropriate by the Head Office, third parties.
- The Head Office will conduct an initial investigation and reach a preliminary view as to whether further action is required.
- Where an initial investigation provides reasonable grounds for suspicion that fraud has taken place, the Head Office will decide what actions are necessary to prevent further loss.

- Where further investigation is required, the Head Office will initiate a full internal audit, and where necessary appoint an Investigating Committee. Any Investigating Committee should include a member of the Audit and Risk Committee.
- All meetings of the Committee will be treated as confidential and shall be fully documented.
- Where an investigation requires further technical expertise, subject to approval of the Head Office and the Audit and Risk Committee, the Investigating Committee may appoint external specialists.
- Upon completion of an investigation, the Investigating Committee will submit a written report of its findings and recommendation(s) to the Head Office. These recommendations will include any actions required to improve ESD's systems for detecting or reporting wrong doings as well as specific recommendations relating to the alleged wrong doing being investigated.
- The Head Office in consultation with the Audit and Risk Committee will issue a decision on the matter and determine whether internal disciplinary procedures should be invoked.
- The Head Office will communicate all decisions to all interested parties, as appropriate.
- Anyone accused of fraud by a report made under this policy will be informed in writing of the allegation and the evidence supporting it and will be given an opportunity to respond to the allegation(s) made against him or her before the investigation is concluded. Employees who are under investigation are entitled to have a member of ESD staff or another appropriate individual present during the course of any interview that is conducted in line with the investigation.
- The Head Office will be responsible for dealing with any enquiries from the media.

If the Head Office is the subject of a complaint, the Secretary/Chair of the Board shall adopt the role and functions of the Head Office.

8. Notification of third parties

The Head Office will, where appropriate, report to interested third parties (such as donors and regulatory bodies) on a confirmed fraud, and indicate what steps have been taken to address any identified weaknesses in ESD's systems of internal control.

Any decision to refer incidences of fraud to local law enforcement agencies will be taken by the Head Office having considered the local context and the consequences in human rights terms of initiating criminal prosecution against the individual involved.

9. Disciplinary procedures and References

Any employee who is suspected of or found to have committed wrong doing will be subject to ESD's disciplinary procedures, up to and including dismissal from employment. ESD may also initiate legal proceedings to recover loss suffered by it as a result of the wrong doing from any such employee.

Where a reference is requested for a member of staff who has been disciplined or prosecuted for wrong doing , the Head Administration and Finance in shall prepare a response in line with ESD's policies and Human recourse law.

Recommendations for recovery of losses following an investigation, all relevant internal controls and processes will be reviewed and strengthened, as appropriate.

10. Fraud by External Parties

External parties cannot be bound by ESD's internal policies. Their responsibilities will be governed by the contract governing the relationship between ESD and the external party. ESD's standard terms and conditions should be used wherever appropriate in dealing with suppliers (service provider) and contractors.

For implementing partners and donors, reference should be made to ESD's Partnership agreement and procedures and the contract between ESD and the individual partner.

In all circumstances where an external party commits a fraud against ESD, ESD will initiate civil action to recover losses unless legal advice suggests that this is unlikely to be successful.

Contact details for reporting suspected wrongdoing to someone other than a Manager or Executive Director:

HEAD Office: esdeth@gmail.com or esdethio@gmail.com ESD's head office phone number +251 116639 776/78, Addis Ababa, Ethiopia.

Appendix I

Initial Incident Report

To be submitted to the Head Office (esdeth@gmail.com or esdethio@gmail.com) within 24 hours of becoming aware of an incident or suspicion of fraud.

1. Name, title and job location of person reporting the incident/s.
2. Is this being reported within 24 hours of being informed? If not, explain why.
3. Preliminary details of the incident/s (a. Nature and summary of incident/s being reported, b. Date(s) when incident/s occurred, c. Places(s) when incident/s occurred, d. Individuals/parties suspected of involvement in the incident/s, e. Initial indication of the loss or damage to ESD)
4. Details of all parties who are aware of the incident/s, suspected or otherwise to date.
5. Copies of supporting documentation available at initial reporting stage.
6. Confirm whether any actions have been taken. (a. Where immediate staff suspensions were required, explain why b. Where immediate suspension of third-party contracts were required, explain why c. Where the seriousness of the incident is required by law for the police to be informed immediately, explain why)
7. Detail any security implications
8. Proposed actions to be taken, for approval by Head Office.

Appendix II

Full Incident Report

Once the Head Office receives the initial incident report, instruction on further action will be communicated and there will be agreed timing on the submission of the full incident report. This report must provide as much detail as possible in order to ensure appropriate levels of investigation and the outcome can be supported by detailed evidence. The report must include details of any further action taken as advised by the Head Office on submission of the initial fraud incident report.

The full incident report should contain the following information: Supplement details provided in the initial incident report (Appendix I) where relevant.

1. Name, title and job location of person reporting the incident/s.
2. Full details of the fraud (a. Nature/Detail of incident/s, b. Date(s) when incident/s occurred, c. Places(s) when incident/s occurred, d. The people suspected of involvement in the incident/s e. Details of the loss or damage to ESD).
3. Details of all parties aware of the incident/s to date.
4. Copies of supporting documentation where relevant
5. Details of any further actions taken as instructed by the Head Office on the submission of the initial incident report
6. Staff suspension status and/or communication with the police. Where instructed to inform by the Head Office, or where law required immediate report to police (as per initial incident report)
7. Suspension of contracts with external parties, as instructed by the Head Office or required as per initial incident report
8. If relevant, details of further proposed action to be taken in dealing with the incident/s and to prevent recurrence. To be authorised by the Head Office.
9. Estimate of any future loss to ESD not already incurred.
10. Details of any indirect consequences to ESD of the incident/s (e.g. suspension of the programme, implications for donors etc.)
11. Details of any lack of supervision or control weaknesses which may have contributed to the fraud or corruption
12. Recommendations for referral to Head of Human Resources for any disciplinary action required for either the perpetrator or staff responsible for lack of supervision and control

13. Recommendations for recovery of losses

Following an investigation, all relevant internal controls and processes will be reviewed and strengthened, as appropriate.

Appendix III: Risks – Assessment and Management

Risk is the threat that an event, action or failure to act will adversely affect an organisation's ability to achieve its objectives or successfully execute its strategies.

Risk Management is the process by which risks are identified, evaluated and controlled. Systematic risk assessment and management is becoming an increasingly important part of internal control as its identification and management is seen as necessary to maximise the likelihood of achieving desired outcomes.

The risks to be addressed as part of a risk management programme are wide ranging and include strategic, operational, financial and reputational risk. A risk strategy does not mean that sensible risks should not be taken but that they should be properly assessed and managed.

Once the risk assessed at different level, it will be the decision of the management and if the case is beyond the capacity of the management of the organization it will be referred to the case will be the Board of Directors for final decision. However all the process and decisions made by the executive and management of ESD regarding the fraud will be reported to the Board of Directors.