



## Fraud & Anti-Corruption Policy

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Regions/Offices	Global

# **FRAUD AND ANTI-CORRUPTION POLICY**

**International Initiative for Impact Evaluation (3ie)**

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## **1 Policy Statement**

- 3ie has a zero-tolerance policy for fraud, money laundering and corruption. Thus, 3ie requires employees, volunteers and third parties including grantees (collectively referred to as “designated stakeholders”) to act honestly and with integrity, and to safeguard the assets for which they are responsible at all times. Fraud and corruption are ever-present threats to our assets and would undermine our credibility in the eyes of donors and other stakeholders and so must be a concern of all designated stakeholders of 3ie.

## **2 Purpose**

- To ensure that 3ie continues to exhibit the highest standards of accountability, transparency and legal compliance, it is imperative that clear guidance is provided for addressing the risks of fraud and corruption.
- This policy sets out the specific responsibilities of 3ie employees with regard to the risks of fraud, bribery and corruption. It is also a clear demonstration of the commitment of senior leadership and our governing bodies to promoting a culture of integrity and transparency throughout 3ie.

## **3 Application and Eligibility**

- The Fraud and Anti-corruption policy (hereafter referred as “The Policy”) applies to 3ie’s headquarters based in Washington, DC, USA, all branch offices, including offices as may be established in other locations in the future (“3ie”).
- The policy is applicable to all 3ie employees (core, contract, retainer, consultants, officers or any other category) and members of the Board of Commissioners.
- 3ie also requires its consultants, contractors, agents, implementation partners, universities or research institutions or any other person retained by 3ie (including, but not limited to, customs broker or visa processing broker) to enact their own procedures, regulations or other regulatory documents that enable compliance by its staff with this policy.

## **4 Key definitions**

- **Assets:** includes physical property, intellectual property of 3ie or tangible assets such as equipment and machinery, systems, facilities, materials and resources, as well as intangible assets such as information technology and systems, proprietary information, intellectual property, and relationships with donors, grantees, sub-grantees and third parties, and all other proprietary and confidential information of 3ie.
- **Designated stakeholders:** includes 3ie’s employees, volunteers and third parties including grantees.
- **Code of conduct:** code of conduct is a set of rules outlining the responsibilities of, or proper practices for an individual, party or organization.
- **Gift:** a gift refers to anything of economic value given freely or at a reduced price from one person to another.
- **Fraud:** fraud is civil or criminal deception, which includes but is not limited to, intent to gain unfair or unlawful financial or personal benefit or to cause loss to another party,

such as by misappropriation of assets, abuse of position, collusion, false representation, prejudicing someone's rights, abuse of position and/or obtaining services dishonestly.

- **Bribery:**
  - i) The offer, promise or receipt of any gift, hospitality, loan, fee, reward or other advantage to induce or reward behaviour which is dishonest, illegal or a breach of trust, duty, good faith or impartiality in the performance of a person's functions or activities (including but not limited to, a person's public functions, activities in their employment or otherwise in connection with a business, influencing the Government official in the performance of their public function) Bribery includes not only direct exchanges, but also authorising or permitting an associate or third party to commit any of the acts or take any part in the actions identified.
- **Government Official:**
  - i) An officer or employee of any government;
  - ii) An officer or employee of any public international organization (e.g., the United Nations, World Bank, or International Monetary Fund);
  - iii) An officer or employee of any department, agency, or instrumentality of any government or of any public international organization;
  - iv) An officer or employee of any government-owned or government-controlled company;
  - v) A political party or political party official; or
  - vi) Anyone, whether a private person or otherwise, acting in an official capacity on behalf of any of the above or of any government entity.
- **Investigator:** A person appointed by the Executive Director's (ED) office in connection with conducting an investigation.

## **5 Obligations of 3ie**

We are committed to preventing fraud and corruption and developing an anti-fraud and anti-corruption culture. To achieve this, we are required to:

- i) develop, maintain and consistently apply effective controls to prevent fraud and corruption at all levels;
- ii) ensure that if fraud or corruption occurs, a vigorous and prompt investigation takes place, and that reports are shared with stakeholders as appropriate;
- iii) take appropriate disciplinary and legal action in all cases;
- iv) take all appropriate and reasonable steps to recover any financial losses;
- v) review systems and procedures to prevent similar acts of fraud or corruption;
- vi) ensure fraud and corruption risks are taken into consideration in programme planning; and
- vii) report incidents to donors as per the requirements set by donors.

3ie employees are also encouraged to read **Appendix A** outlining the expected course of action when faced with various ethical dilemmas.

## **6 Roles and Responsibilities**

All designated stakeholders are responsible for:

- acting with propriety in the use of assets and resources of 3ie;
- conducting themselves in accordance with the principles set out in applicable codes of conduct or equivalent, including:

- i) declaring at the earliest opportunity any actual or apparent conflict of interest having a bearing on their responsibilities to the HR;
- ii) seeking guidance from their line manager as needed to determine whether a contemplated interaction with a Public Official or Service Provider is appropriate and in compliance with this Policy and other applicable 3ie policies; or they can reach out to the counter fraud champions designated by the management.
- iii) assisting in any investigations by making available all relevant information and cooperating in interviews.

Role-specific responsibilities are outlined in **Appendix B**.

## **7 Corrective Actions**

- The Executive Director's office will be responsible for addressing all formal complaints not involving the Executive Director (ED). Instructions for reporting complaints can be found in section 11(I) on fraud response plans.
- After appropriate investigation, corrective actions, which may include disciplinary or remedial actions, shall be taken against anyone who violates the policy, fails to report a known violation of this Policy, fails to implement the requirements of this Policy or retaliates against any person reporting, in good faith, an alleged violation of this Policy.
- Failure to detect due to employee's negligence may result in disciplinary action and failure to detect due to process gap may result in remedial action for mitigating risk and making employee aware regarding fraud risk
- If any individual representative of 3ie or third party fails to comply with this Policy, it may lead to fines, termination of employment/contractual agreements/other relationships/arrangements or criminal penalties and/or imprisonment as per the relevant laws and regulations of the respective jurisdiction. Further, in the case of third parties, corrective action may include withholding future relationships, transactions or funding, reporting to primary donors, and if required, reporting to relevant enforcement authorities. All efforts will be made to recover funds in violation of such policy.

## **8 Fraud Risk Assessment**

- While the ultimate responsibility for effective fraud risk and control management rests with the *Chief Compliance officer*, every program lead is responsible for identifying and mitigating the risks that might affect the operations under his or her responsibility. Periodic fraud risk assessments should be undertaken by the program lead, as well as the internal audit function, and such assessment should include known fraud risk factors, potential fraud schemes, control gaps, red flag identification and recommendation for remediation.

## **9 Fraud and corruption awareness programme**

- To ensure that the risk of fraud and corruption is effectively mitigated, periodic training no less than annually, are conducted to raise awareness about fraudulent acts and their prevention. 3ie will promote an anti-fraud/ anti-corruption culture by fostering an organizational culture of integrity, transparency and accountability, providing confidential ethics advice to all staff, including managers, on appropriate standards of conduct and including fraud and corruption awareness components in its ethics training programmes.

## 10 **Conflict of Interest**

- A **Mandatory Disclosure Statement** is required to be signed and submitted to HR annually from all individual representatives of 3ie including all employees (including new hires), third parties and partners.
- **Gift Policy:** 3ie staff should not normally accept gifts. All offers of gifts that might be perceived to compromise your personal judgment or integrity should be declined. However, 3ie recognises that in some cases non- acceptance may cause embarrassment to the provider. All staff must record and declare all gifts received or offered to their Deputy Director or the Executive Director that are valued over US\$40.

## 11 **Response & Investigation**

### I. **Initial Fraud Response Plan**

- Where external auditors, internal auditors, regulatory bodies such as government organizations, discover some fraud during routine part of working, it should be reported to the Executive Director's office.
- Any individual representing 3ie can report fraud related concerns at [fraudconcerns@3ieimpact.org](mailto:fraudconcerns@3ieimpact.org) or in writing to the Executive Director, [mgaarder@3ieimpact.org](mailto:mgaarder@3ieimpact.org)
- In cases where the fraud is related to the actions/inactions of the Executive Director, then the same should be communicated to the Board of Commissioners immediately. If the Board of Commissioners are named in the complaint, then the complaint should be directed to Andras Kosaras at [Andras.Kosaras@arnoldporter.com](mailto:Andras.Kosaras@arnoldporter.com) ("Outside Legal Counsel").
- When applicable, the Executive Director's office or Board of Commissioners or Andras Kosaras ("Outside Legal Counsel") must report the instances of fraud to the donor as per the terms and conditions of the grant agreement or contract entered with the donor.
- A record of such complaints will be maintained with the ED's office or Board of Commissioners, as the case maybe.
- An initial review should be done of the complaint by the Executive Director office or Board of Commissioners, as the case maybe; the facts presented should be confirmed by examining the validity of the allegation and defining the severity of the allegation. The initial action on a complaint should be taken preferably within 7 days of receipt of the information about fraud/suspected fraud and timelines for completion of investigation should be decided depending on the facts of the case.
- Depending on the criticality and severity of the circumstances (based on likely financial impact, business continuity, operational and reputational risk, stakeholders involved, etc.), the Executive Director or Board of Commissioners shall decide whether to constitute an internal investigating team or appoint an independent external agency to conduct the investigation.
- 3ie will give the power to Andras Kosaras ("Outside Legal Counsel") to appoint an independent third party to conduct investigation.
- The ED's office or Board of Commissioners or Andras Kosaras ("Outside Legal Counsel"), as the case maybe, shall be responsible for overseeing the investigation and shall lay down the scope of the investigation and identify a team leader (herein referred as 'Investigator') for the purpose of the investigation.

## **II. Investigation**

- The investigation shall be conducted fairly, as a neutral fact finding process.
- The investigation will consist of the following steps:
  - i) identify all involved;
  - ii) interview all involved;
  - iii) find and review all relevant evidence and documentation;
  - iv) based on triangulation of evidence to the extent possible, arrive at a judgement;
  - v) present the judgement and recommendations in an appropriate form for any subsequent disciplinary, civil and/or criminal proceedings, supported by all relevant evidence.
- The investigation process will vary according to the circumstances of each case and will be determined by the ED's office Board of Commissioners or Andras Kosaras ("Outside Legal Counsel") as the case maybe, which is responsible for setting out the terms of reference. It may for example be necessary to adjust the investigation procedure due to specific donor requirements.
- Throughout any investigation, the investigator will keep the ED's office or Board of Commissioners or Outside Legal Counsel, as the case maybe, informed of progress and any developments.

## **III. Reporting**

- On completion of the investigation, the investigator will prepare a written report setting out:
  - i) the background as to how the investigation arose;
  - ii) what action was taken in response to the allegation;
  - iii) the conduct of the investigation;
  - iv) the facts that came to light and the evidence in support;
  - v) the conclusions including a statement of whether or not the allegations or suspicions of fraud or corruption have been substantiated;
  - vi) recommendations on actions to be taken against any responsible parties where the allegations or suspicions were substantiated;
  - vii) recommendations to improve any identified weaknesses in internal controls to prevent reoccurrence; although a separate report may be necessary for this item;
  - viii) recommendations, in consultation with appropriate officers, on the most appropriate method of recovery of any losses; and
  - ix) an estimate of the cost of the investigation in number of employee days.

The report shall document the decisions made by the Executive Director's office or Board of Commissioner's or Andras Kosaras ("Outside Legal Counsel"), as the case maybe, in response to the recommendations, and the facts and judgement on which this determination was made.

The ED office will prepare an annual report each calendar year of all the matters of fraud referred to [fraudconcerns@3ieimpact.org](mailto:fraudconcerns@3ieimpact.org) and submit it to the Board at the April board meetings.

## **IV. Confidentiality**

- The ED's office or Board of Commissioners, as the case may be, shall make every effort to protect the rights and the reputations of everyone involved in a report of suspected fraud, including the individual who in good faith alleged the complaint.



- Details of any investigation are strictly confidential and must therefore not be discussed or conveyed to anyone other than relevant management representatives and the nominated investigation team.

**V. Safeguarding of employees**

- 3ie will not tolerate any retaliation of any kind against anyone who, in good faith, reports a potential violation of any anti-corruption laws or any other aspect of this Policy. 3ie takes all claims of retaliation seriously and investigates all allegations of retaliation, and will take appropriate disciplinary action to address any incidents of retaliation

**12 Fraud prioritization**

Fraud risk assessment starts with an identification and prioritization of fraud risks that exist in the business. The process evolves as the result of that identification and prioritization begins to drive education, communication, organisational alignment and action around effectively managing fraud risk and identifying new fraud risk as they emerge. Alleged fraud risks can be categorized by:

- i) Likelihood of Fraud: the likelihood levels can be described as the maturity levels of the processes of key fraud controls that make it either easier or more difficult for a potential fraud incident to take place.
- ii) Impact of Fraud: fraud's impact can directly or indirectly affect the business's ability to operate. For Fraud prioritization, it is important to assess the quantum of fraud impact, which could be based on parameters such as financial exposure, reputational risk, regulatory risk, etc.
- iii) Frequency of Fraud: It is important to measure occurrence of fraud in the existing framework of business operations.

**13 Further Resources**

- i) Conflict of Interest Policy
- ii) Gift and Hospitality Policy

## Appendix A

### General Guiding Principles

We value long-lasting relationships, and we deal with our stakeholders based on merit, professionalism, trust and integrity - never illicit payments, unlawful “favours” or other actions that could expose us to the many risks of financial loss, operational impairment, dependency, blackmail, extortion, legal sanction and reputational harm.

#### “DOs”

- It is important to be ethical in action, and in perception. Even the slightest perception of unethical behaviour may prove to be harmful for the organisation and individuals concerned. Therefore, when faced with such situations, act and report, as follows:
  - i) reject any hints outright, which may be an actual act of fraud, corruption or perceived as such. In case of any doubt, connect with the line manager or fraud champion.;
  - ii) maintain fair and accurate records, documenting the details of any requested, attempted or actual act of fraud or corruption, as soon as possible after the event;
  - iii) be sensitive to and avoid interactions that may create even an appearance of impropriety;
  - iv) conduct due diligence of all project partners and service providers as per the threshold limit decided set by the ED before entering into an agreement with such entities.
  - v) enter into written agreements with all project partners and service providers that contain anti-corruption and anti-fraud provisions, as well as any other provisions required by Donors; and
  - vi) “IF YOU SEE SOMETHING, SAY SOMETHING”

#### **Accurate Books and Records:**

- 3ie shall maintain detailed books, records, and accounts that accurately and fairly reflect 3ie’s transactions. This requirement is broad and applies to all books, records, and accounts including financial records, accounting records, memoranda, documents, and electronic storage devices. To minimize any corruption risks, all transactions must be recorded accurately, transparently, and in a timely manner; described in sufficient detail; and properly supported by documentation that is retained and accessible.

#### “DO NOTs”

- *We prohibit improper payments made directly or indirectly to Government Officials*  
No 3ie Representative, and no Third Party acting on 3ie’s behalf, may offer or give payments or anything of value, directly or indirectly, to any Government Official (including the spouse, relative, friend, or colleague of a Government official), or to any third party for payment to any Government Official, to improperly obtain, retain, or direct business or secure an improper advantage or take any other action, directly or indirectly, to violate any applicable laws and regulations prohibiting public or commercial bribery, extortion, kickbacks, fraud, money laundering, or other unlawful or improper means of conducting business (collectively, “Improper Conduct”).

- *We prohibit gifts and hospitality to Government Officials*  
 Gifts and hospitality to Government Officials, including expenditures for travel, lodging, meals, and entertainment of Government Officials, are prohibited. However, recognizing that certain Government Officials may serve as members and/or board members of 3ie or attend 3ie-funded workshops/conferences, 3ie may reimburse reasonable expenses of such Government Officials in accordance with 3ie's policies for reimbursing such expenses applicable to all members, board members and/or participants of 3ie funded workshop/conference participants. 3ie may also pay or reimburse the reasonable expenses of the participants funded under 3ie bursaries, and shall structure those payments or reimbursements either through direct payments by 3ie to third party vendors for the reasonable expenses of participants or through direct payments to participants for reasonable expenses they actually incur related to their participation that are not paid to third party vendors. 3ie's Executive Director must approve any direct payments to bursary participants in advance.
- *We prohibit commercial bribery*  
 No 3ie Representative or Third Party may give, offer, promise, accept, or solicit money or anything of value to or from any representative or employee of a private commercial entity for inducing that entity to assist 3ie in obtaining donor funds, or in securing any improper advantage.
- *We prohibit facilitating payments*  
 Facilitating Payments made to secure or expedite the performance of a routine action by a Government Official or agency (e.g., issuing licenses or permits, installation of a telephone line, processing goods through customs, etc.) to which 3ie has legal or other entitlement are prohibited.
- *We prohibit bribes, kickbacks or any other improper payments*
  - i) Any payment or contract with a Government Official that serves as a conduit for bribes, kickbacks, or any other improper payment is strictly prohibited.
  - ii) Lawful payment for, or reimbursement of, good faith expenditures and other considerations for goods and services, which are actually received, are permitted if they meet a genuine business need, their receipt is documented, they are priced at fair market value, and they are based on a written contract.
  - iii) 3ie's Executive Director must approve all direct payments to Government Officials in advance.

## Red Flags

The following examples of general 'red flags' (which is not an exclusive list) may raise suspicion and be helpful indicators of fraud and corruption risk:

- Financial record-keeping and accounting discrepancies, such as:
  - i) absent, vague, inconsistent or false transaction descriptions or account allocations;
  - ii) absent, false or unusual record of the identity of the payee/counterparty;
  - iii) excessive or unusually high compensation without supporting detail;
  - iv) unusual payment patterns or structures, use of shell companies or other financial arrangements;
  - v) general purpose or miscellaneous accounts that can be used to hide improper payments; or
  - vi) over-invoicing; false or inaccurate invoices, travel and/or expense forms;
  - vii) unrecorded accounts or transactions.

- A third party does not appear to be qualified to perform the duties for which it/he/she is engaged.
- A third party refuses to certify, or provide information about its/her/his governmental relationships to verify its compliance with anti-corruption requirements.
- Requests for commissions to be paid in a third party country, to a third party, or in cash or untraceable funds.
- Heavy reliance by a party on political or government contacts as opposed to knowledgeable staff and investment of time to promote our interests.
- A desire to keep third party representation secret.
- Lack of written agreements, anti-bribery policies, training or code of conduct at target company; or
- Misrepresentation or failure of the target company to cooperate in due diligence process.
- You are offered an unusually generous gift or lavish hospitality by a third party.
- Anonymous emails/letters/telephone calls.
- Emails sent at unusual times, with unnecessary attachments, or to unusual destinations.
- Discrepancy between earnings and lifestyle.
- Unusual, irrational, or inconsistent behaviour.
- Alteration of documents and records.
- Extensive use of correction fluid and unusual erasures.
- Photocopies of documents in place of originals.
- Rubber Stamp signatures instead of originals.
- Signature or handwriting discrepancies.
- Missing approvals or authorisation signatures.
- Transactions initiated without the appropriate authority.
- Unexplained fluctuations in stock account balances,
- Inventory variances and turnover rates.
- Inventory adjustments.
- Subsidiary ledgers, which do not reconcile with control accounts.
- Extensive use of 'suspense' accounts.
- Inappropriate or unusual journal entries.
- Confirmation letters not returned.
- Supplies purchased in excess of need.
- Higher than average number of failed login attempts.
- Systems being accessed outside of normal work hours or from outside the normal work area.
- Controls or audit logs being switched off

***In practice, conducting “Know Your Counterparty” due diligence checks, implementing financial controls and performance monitoring are among the best tools to combat both fraud and corruption.***

In general, fulfilment of the above obligations typically requires

- implementing a tender process;
- conducting a due diligence assessment;
- selecting the best counterparty;
- negotiating the contractual terms of engagement; and
- segregating, limiting and delegating expenditure authorisations, all at “arm’s length” and with regard to objective criteria, including the effectiveness, quality, and pricing of the proposed goods/services.

## **Appendix B**

### **Three lines of defence/Role-specific responsibilities**

#### **Program Leads**

The day-to-day responsibility for the prevention and detection of fraud and corruption rests with the first layer of defence, which is the program leads/programme officers who are responsible for the following:

- i) identifying new risks to which systems, operations and procedures may be exposed;
- ii) ensuring that controls are being implemented;
- iii) responding to changes in fraud risks/risk appetite;
- iv) implementing corrective action to address deficiencies;
- v) managing and supervising to ensure compliance and identify any breakdown in controls; and
- vi) on a periodic basis, updating the fraud risks in the risk register.

#### **Senior Management Team**

The second line of defence sets the policy, procedures and guidance, and monitors compliance through constructive challenge. The second layer of defence, which rests with the Heads of Departments, are responsible for the following:

- i) ensuring the first line of defence is properly designed and operating as intended;
- ii) developing and maintaining effective internal controls to prevent and detect fraud and corruption;
- iii) ensuring compliance with various requirements stipulated in this Policy;
- iv) devising a suitable risk-based sampling methodology for expense verification before disbursements of tranche payments;
- v) aligning strategic objectives with fraud risk assessment and related responses; and
- vi) providing methods and tools to support management of fraud risk.

#### **Independent reviewers**

The third line of defence provides independent oversight and scrutiny ensuring that the Framework remains updated and is complied with. The third line consists of internal auditors, external auditors, and special reviewers who are responsible for the following:

- i) providing independent and objective assurance;
- ii) recommending improvements to the management of fraud risk and control activities; and
- iii) independently investigating fraud and allegations of malpractice reported to the management.