

Policy on Preventing Corruption and Fraud in CBM's Activities and Operations

Introduction

CBM has a zero tolerance policy towards fraudulent and corrupt practices. Zero tolerance means that CBM does not tolerate corruption in relation to any of our work and that all suspicions of corruption thought to be in breach of this policy are reported to CBM. It means that CBM will take all suspicions of corruption seriously and assess, act upon, investigate and discipline all such cases as appropriate and in a professional, transparent and fair manner.

The diversion of resources or misuse of power for personal gain compromises CBM's core values, such as Integrity and Professionalism, CBM's Code of Conduct, and our accountability to beneficiaries, the communities we work with and our donors around the world.

Indications that CBM is linked to corruption can be damaging to CBM's reputation, undermining the morale of our staff and the trust and support of beneficiaries, partners, donors and the wider public. Corruption also poses legal risks both for the organization and individuals involved. We must act, and be seen to act, in a way that is honest and transparent.

This policy supports CBM's existing code of conduct, programme, human resource and financial policies and standards, reinforcing CBM's commitment to foster an organizational culture in which corruption is never acceptable and not tolerated. It further clarifies standards of conduct for the prevention of corruption and provides a common foundation for the development of procedures to manage CBM's corruption risk across all departments. It also intends to help CBM employees, across all levels and locations, to make critical choices in difficult situations.

The Policy on Preventing Corruption and Fraud will be reviewed as deemed necessary to ensure the content reflects current needs and international best practices.

1. Definition

"Corruption is 'the abuse of entrusted power for private gain' and can be instigated by individuals in the public or private sector. It is interpreted here to include such corrupt practices as fraud, bribery, embezzlement, facilitation payment, money laundering, nepotism, collusion and conflict of interest. In this context, it includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business. This may also include gifts other than money, such as; free goods and holidays, or special personal services provided for the purpose of, or liable to result in, an improper advantage or that may result in moral pressure to receive such an advantage."¹

¹ Definition Source: Global Reporting Initiative (GRI) Standards; accredited by the INGO Accountability Charter Ltd.

Fraud

A 'fraud' is any act or omission that intentionally misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation. Fraud may be perpetrated internally or by external parties. Possible examples might be forging or altering a cheque or invoice, or where an employee inflates the numbers on a receipt submitted for expenses. Also covered under fraud is procurement and supply chain fraud.

Bribery

Refers to giving or receiving a benefit which is intended to encourage the person receiving it to do their job in an improper way.

Embezzlement

'Embezzlement' is the act of improperly using funds, property, resources or other assets that belong to an organization or individual.

Facilitation payment

A payment that is made with the intention of expediting an administrative process is called a facilitation payment. It is a payment made to a public or government official that acts as an incentive for the official to complete some action or process expeditiously, to the benefit of the party making the payment. In general, a facilitation payment is made to smooth the progress of a service to which the payer is legally entitled, even without making such a payment.

Money-Laundering

'Money-laundering' is the process of turning the proceeds of crime into assets or money that can be accessed legitimately with the intention of hiding the source of the proceeds.

Nepotism

'Nepotism' is favoritism granted to any friends, family or relatives regardless of merit. Possible examples might include a manager awarding a contract, or employment, to a family member or friend on the basis of that relationship alone. Other forms of favoritism granted to others without merit will also be covered under this policy.

Collusion

Where a person improperly co-operates with others to circumvent, undermine or otherwise ignore rules, policies or guidance.

Conflict of interest

Where an individual knowingly has an undisclosed business or personal interest with an entity involved in a commercial relationship with CBM.

2. Scope and liability

Compliance with this policy is mandatory for staff, implementing partners, contractors and related Third Parties. Failure to do so will result in disciplinary action up to and including the possibility of termination of employment or termination of the violating party's contract and/or business relationship with CBM. CBM furthermore reserves the right, without prejudice to any other right or remedy available to it, to take such additional action, civil and/or criminal, as may be appropriate.

3. Policy Statements

Rules

1. Corruption on the part of any CBM employee or board member or any third party (partner, consultant, supplier etc.) in their engagement with CBM, is prohibited. Respective clauses form an integral part of work, service or project contracts.
2. No employee or board member, or any third party acting on behalf of CBM or dealing with CBM, shall offer to pay a bribe, or pay a bribe, nor shall they solicit the payment of a bribe, or accept a bribe in conjunction with any aspect of CBM's activities.

Prevention of Fraud

3. CBM will foster an organizational culture in which corruption is never acceptable and will not be tolerated. CBM will employ a holistic approach towards managing the risk of fraud and corruption through awareness creation, prevention, reporting and responding.
4. CBM will ensure employees, board members, partners and other third parties that engage with CBM are made aware of the Policy on Preventing Corruption and Fraud.

Consequence

5. Employees of CBM, including Members of the Board, who commit a corrupt act, fail to report knowledge of corruption or fail to manage the risk of corruption will be subject to disciplinary action up to and including termination of employment. Third parties who fail to comply with this policy will have their agreements and/or contracts with CBM terminated. CBM will seek restitution or prosecution or other legal remedies where appropriate.

Reporting and investigating fraud

6. CBM India Trust encourages reporting of corruption or misconduct without fear of reprisals. CBM welcomes employees addressing their concerns and will not penalise an employee who in good faith, has made a protest or raised a complaint against some practice of CBM, or of another individual or entity with whom CBM has a business relationship.
7. All reported incidents of suspected and actual corruption will be taken up by the senior management or the board of trustees if there is any allegation against senior management.

Responsibilities

The Executive Management has the responsibility and authority to take actions as necessary to ensure the effective implementation of this policy. On a periodic basis, compliance with this policy and its required controls will be reviewed and tested by CBM Internal Audit and the Compliance teams.

- **All CBM staff, board members and volunteers**

Where staff or volunteers suspect that CBM funds or assets have been, are, or will be lost through fraud and corruption as defined above, they must report it to their line manager without delay. If it would be inappropriate to report to the line manager, they may report it to their line manager's manager. If they do not want to report it through the management line, they may report it directly to the board of trustees.

All staff, volunteers and Board Members should be aware of CBM's Policy on Preventing Corruption and Fraud and should undergo the fraud awareness training.

- **All managers**

Where a manager receives a report of a suspicion, or they suspect fraud and corruption themselves, then they must report it without delay to the senior management

Managers are responsible and accountable for managing the risk of fraud and corruption in their units. They may do this by:

- Ensuring that there are adequate, appropriate and robust internal controls in place to make sure all funds are accounted for and spent in line with CBM guidelines;
- Keeping proper and adequate business and financial records for both the receipt and use of all funds together with audit trails of decisions made;
- Taking any necessary action to protect CBM funds;
- Acting responsibly and within the interests of CBM if a suspicion occurs;
- Ensuring that fraud and corruption risk is assessed and included in strategic risk management documents;
- Taking lead in creating an anti – corruption culture by ensuring all staff in their units have undergone the fraud awareness training

- **Managing Trustee**

The managing trustee is responsible and accountable for managing the risk of fraud and corruption by:

- Gaining and maintaining confidence in the operation of reporting mechanisms;
- Taking the lead in creating an anti – corruption culture by ensuring all staff in the region and country have undergone the fraud awareness training;
- Ensuring all partners are aware of CBM's fraud and corruption policy.

- **CBM's Partners**

It is the responsibility of partner organizations to:

- Report any suspected or confirmed fraudulent or corrupt acts immediately (as required in the partner contracts);
- Have effective control procedures and policies in place to reduce the opportunity of fraud and corruption within their organizations.