Anti Fraud & Corruption Procedures

Definition & Scope

THP will not tolerate fraud or corruption and is committed to transparency, integrity and stewarding the resources invested in communities for community-led development to end hunger and poverty.

To this end, THP’s Global Board of Directors approved a Commitment to Halt Fraud and Corruption (Annex A) in May 2016. It defines fraud as any act or omission, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation. It states that corruption includes offering, giving, receiving or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party. The following procedures build on this Commitment and provide steps for THP staff to take to operationalize it.

Unfortunately, any program could suffer from fraud or corruption so these procedures to prevent, detect, report on and resolve such instances are intended to cover all THP program sites. In terms of microfinance, this includes savings groups, financial cooperatives and financial cooperative networks. While THP cannot require other financial service providers with whom our sites partner to follow our procedures, we should request a copy of the fraud policy before partnering with them. Please note that once a program site achieves self-reliance and/or a financial program (microfinance, savings or other) achieves independent legal status, THP will do its best to provide support but has no legal liability.

Prevention

All THP staff sign a Code of Conduct (Annex B) in which they commit to put resources to their best possible use. To ensure this happens throughout our programs, THP recommends these procedures.

When handling physical assets (cash) at least two individuals must be present. Additionally:

- The program site must have a double lock safe, with keys for two separate individuals.
- Each country must set a maximum safe amount (suggested range US$2,000 – US$15,000). Anything in excess of that amount must be deposited at the commercial bank.
- A minimum of two individuals must sign for any withdrawal from the commercial bank.

For any microfinance program that includes a lending and/or savings component:

- Data will be entered as it is collected into appropriate microfinance software (not Excel).
- The Rural Bank (Financial Cooperative) Board of Directors will play an active role by:
  - Reviewing a monthly list of all borrowers submitted by Management; and
  - Conducting monthly random, unannounced visits to ensure no ghost loan groups.

Adopted October 2018
• The relevant Program Officer will conduct at least 1 \textit{monthly} random, unannounced program site visit and randomly select 3 – 5 partners (with outstanding accounts) to visit.
• The Country Director, Finance Officer or M&E Officer will conduct at least 1 \textit{quarterly} random, unannounced program site visit and randomly select 3 – 5 partners (with accounts) to visit.
• Country Directors also will encourage adequate procedures to ensure internal controls.
• Auditors will examine individual passbooks, any physical records and computers records.

Finally, while not required there are two best practices that can help minimize the risk of fraud:

• A Country Director can hire an internal auditor; and
• An internal auditor or other staff member can conduct a mid-year internal audit.

\textbf{Detection}

To detect any abnormalities the Program Country (MFP Officer, M&E Officer, Finance Officer and Country Director) will \textit{review quarterly program performance} indicators closely. Any major changes in data from one quarter to the next will be investigated thoroughly. For example, for microfinance or any lending program an increase in Portfolio at Risk will be confirmed and explained. To do this, quarterly data must be collected and reported on time, by the 30th of the month following the close of the quarter. The Program Country must review and approve data before submitting it to the Global Office (Senior MFP Officer and Monitoring & Evaluation Director) for its own review and approval.

In addition, THP should be cognizant there are events that can increase the likelihood of fraud. Notably: major programmatic changes (for example, the transition to self-reliance); changes in leadership; budget freezes and related disruption in regular program activities; and for microfinance, changes in government regulations and rural bank legal status. In these instances there can be a perception that a program is closing, and opportunistic community members may sense a better chance of getting away with fraud. THP staff should be on high alert.

\textbf{Reporting}

THP has a Whistle Blower Policy (Annex C) for staff to report any fraud or corruption they suspect or witness as soon as possible without adverse consequence. In most cases the staff member should report it to his/her supervisor. However, if the staff member does not feel comfortable reporting it to his/her supervisor or is not satisfied with the response s/he may report it to anyone s/he is comfortable speaking with and/or go directly to the CFO, COO and/or CEO. The staff member may request anonymity and the person receiving the report must honor that request.

Supervisors are required to report fraud/corruption to the CFO, COO and/or the CEO immediately. Following the immediate alert, it must be documented formally using the Incident Report (Annex D). Perceived high levels of risk for fraud also should be reported to the GO in the quarterly report.

At the program site level THP partners should be encouraged to report any fraud or corruption they suspect or witness to THP as soon as possible without adverse consequence. As such, each program site will post clear contact information for the relevant Program Officers and Country Director. In addition, each program site should have a letterbox for anonymous reports of fraud and/or corruption.
In all instances of fraud or corruption, the Global Office (CFO, COO and/or CEO) will inform the Global Board of Directors, relevant Partner Countries and relevant THP Investors as appropriate. Also the Country Director (unless otherwise assigned by the Global Office) will take appropriate steps to inform the National Advisory Council (NAC), the Rural Bank Board of Directors (where applicable) and the local community, as well as local authorities. Finally, the head of global communications will be informed and advise on a Holding Statement and FAQ document for external communication purposes as necessary.

Investigation and Resolution

All instances of suspected fraud and/or corruption must be investigated and resolved. If the incident occurred in a country office, the Country Director is responsible for the investigation and resolution, unless there is any allegation that the Country Director is involved in the incident. If a Country Director is suspected, or if the incident occurred in the Global Office, the CFO, COO or CEO is responsible for the investigation and resolution. If the CFO, COO or CEO are alleged to be involved in the incident, then one of the non-suspected individuals is responsible for the investigation and resolution, or the matter is referred to the Global Board of Directors.

Investigation consists of determining who is responsible for the fraud and/or corruption, the amount/effects, when it was committed and how/why. Please see Incident Report (Annex D).

Resolution consists of making a plan to bring the perpetrator(s) to justice and recover the funds. This will include removing all responsible parties from leadership positions, reporting to authorities and pursuing legal action if necessary and as appropriate. Please note that while reporting the case to the authorities is required, THP may determine not to pursue legal action, particularly if the amount of the fraud/corruption in question is less than the cost of the legal action to recover the money.

All reported cases of fraud/corruption are reported to THP’s auditors by the CFO or COO.

Annex A: Commitment to Halt Fraud and Corruption
Annex B: Code of Conduct
Annex C: Whistle Blower Policy
Annex D: Incident Report

Adopted October 2018
The Hunger Project Commitment to Halt Fraud and Corruption

It is the policy of The Hunger Project to have zero tolerance of fraud and corruption.

Corruption includes offering, giving, receiving or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party. Fraud includes any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation. Fraud also includes acts such as misuse or misappropriation of funds, such as through bank transfers and currency conversion.

Our commitment to halt corruption includes, but is not limited to, compliance with all applicable good governance standards and the US Foreign Corrupt Practices Act as well as the applicable laws in each country in which we operate. Corruption is a condition that holds hunger and poverty in place, and transforming such conditions is the fundamental objective of our programs.

There are at least nine ways The Hunger Project not only avoids and prevents corruption in its own operations, but works to instill principles of integrity and honesty in the society it helps to build.

1) We only work in countries where (a) there is sufficient stability and rule of law for our methodology to succeed and (b) where we have sufficient high-level government support such that our staff and partners can feel safe to say “no” to demands for bribes.

2) We work on the principle of self-reliance, minimizing the input of outside resources that can become the targets for attempted corruption.

3) We maintain the highest standards of accounting in our finances. Funds are transferred on a quarterly basis only after rigorous review of financial reports, and external audits are conducted every year which meet USGAAP standards.

4) We have a written code of conduct, which is posted in all offices and utilized in staff training and orientation.

5) We review, document and certify our compliance with good governance standards, including those of InterAction and the Better Business Bureau.

6) We have a whistleblower policy, prominently posted, which defines exactly what steps are to be taken when an instance of corruption is suspected.

7) We have a conflict of interest policy which addresses issues such as inappropriate acceptance of gifts or misuse of resources, also prominently posted, and to which each officer and director must regularly certify their compliance.

8) Our managers and supervisors are accountable for implementing and upholding these policies.

9) Violations of this policy will result in prompt disciplinary action up to and including dismissal.

These practices are intended to create an environment where the best in people will have the opportunity to flourish. As the world grapples with the issue of corruption, we look forward to learning and adopting even better ways to create a world of greater justice and integrity, and we will review this commitment and the relevant policies listed above at least every two years.
The Hunger Project Code of Conduct

Objective

The core objective of this Code of Conduct is to have professionalism, respect, tolerance, integrity, transparency and social justice reflected in the interactions of all those who represent The Hunger Project (THP).

The Code serves to create and preserve a sound and positive image of THP, its management, activities and personnel as professional, ethical and socially responsible.

THP’s Code of Conduct is a set of guiding standards and principles that all representatives of The Hunger Project adhere to in practice and in spirit in all their decisions, procedures, actions and interactions.

The image, role and achievements of an organization are based on the way in which individuals associated with that organization behave. Although the tenets of the Code of Conduct are based on organizational principles, the responsibility to work in accordance with the Code lies fully with the individual.

Individuals Concerned

This Code of Conduct applies to all who represent THP, meaning staff worldwide, including temporary personnel, interns and volunteers. Also covered are participants in any governance capacity of THP (e.g. Board members, advisory committee members, etc.), trainers or any other person who is working with, representing or otherwise associated, or perceived to be associated, with THP.

Overview

All Hunger Project representatives have the responsibility to enhance the reputation of THP. The organization should always be portrayed in a manner which promotes the principles embodied in the Code, and all representatives should communicate positively and sensitively, according everyone their rights and treating all with respect.

Hunger Project representatives are expected to demonstrate the same attitudes and behavior we expect to facilitate in the community. We must be sensitive to local cultural practices and take special care in manner of speech, action and behavior.

Matters of abuse, such as of alcohol, drugs or other, as well as matters of harassment, such as sexual or other, are unacceptable and, where necessary, will be addressed according to law.
**Code Articles**

**Cooperative Climate**
Hunger Project representatives strive to create an atmosphere of openness, mutual respect and teamwork in relation to colleagues, partners and other actors and take full responsibility for all tasks assigned.

**Discrimination**
Hunger Project representatives accord every person basic respect and dignity and do not discriminate based on class, caste, religion, ethnicity, gender, sexual orientation, race, disability, age or economic status, either in an official capacity or in general treatment of an individual.

**Environment**
When there is an option, Hunger Project representatives prioritize alternatives that promote a better environment and do not undertake any activity that pollutes or erodes natural resources.

**Gender Sensitivity**
Hunger Project representatives give equal respect to men and women and fully accept the principles of gender equity.

**Information and Communication**
Whenever possible, and in accordance with the law, Hunger Project representatives uphold the principles of openness, transparency and accessibility of information. Appropriate personal and donor confidentiality is adhered to by all Hunger Project representatives.

**Integrity and the Use of Resources (financial, material and time)**
Representatives of THP put resources to their best possible use, always remembering that they have been entrusted to us by our investors.

**Learning Culture**
At every opportunity, the advancement of learning and an approach of continuous improvement are adopted across the organization. Reflection, analysis and documentation of how successes have occurred, or why they have not occurred, are a routine aspect for all individuals and groups that represent THP.

**Professional and Legal Standards**
Hunger Project representatives keep informed about, and abide by, current Hunger Project policies, professional standards and laws that govern the practice of their respective responsibilities.

**Social Justice**
Hunger Project representatives ensure that organizations with which we are affiliated, with which we do business, or from which we purchase products, provide their workers with decent working conditions in alignment with our values of promoting social justice and preserving human dignity.

Signed by Employee Name: ______________________   Date: _________________

The Hunger Project Code of Conduct
March 16, 2009
General
The Hunger Project requires directors, officers, and staff to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Staff and representatives of the organization must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations.

Reporting Responsibility
Any staff member who has engaged in, or who reasonably suspects any other staff or Board member of the organization of engaging in, any violation of the law, regulations or ethical standards must report such activity as soon as possible. Such activity may include, but is not limited to, financial wrongdoing (including violation of internal controls or the accounting policies of the organization), fraud, harassment, or any other illegal or unethical conduct.

No Retaliation
No director, officer, or staff member who in good faith reports a violation shall suffer harassment, retaliation, or adverse employment consequence. Any staff member who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Protection Policy is intended to encourage and enable staff and others to raise serious concerns within the organization prior to seeking resolution outside the organization.

Reporting Violations
This document addresses the organization’s open-door policy and suggests that staff share their questions, concerns, suggestions, or complaints with someone who can address them properly. In most cases, as staff member’s supervisor is in the best position to address an area of concern. However, if a staff member is not comfortable speaking with her/his supervisor or is not satisfied with the supervisor’s response, the staff member is encouraged to speak with Human Resources or anyone in management whom you are comfortable approaching. Supervisors and managers are required to report suspected violations to the Chief Financial Officer and/or President/CEO. Furthermore, if a staff member does not believe that these channels of communication can or should be used to express her/his concerns, the staff member may contact the Chair of the Governance, Nominating and Human Resources Committee of the Board. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation. Reports are preferred in writing and may be made anonymously. The organization shall file all back up documentation related to reports and actions taken.

Accounting and Auditing Matters
The Audit and Finance Committee of the Board shall address all reported concerns or complaints regarding corporate accounting practices, internal controls, or auditing. The Chief Financial Officer and/or President/CEO shall immediately notify the Audit Committee of any such complaint and work with the Committee until the matter is resolved.
THE HUNGER PROJECT
WHISTLEBLOWER PROTECTION POLICY

Acting in Good Faith
Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Confidentiality
Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.
**Incident Report**

**Type of Incident:** (Fraud/Corruption/Sexual Exploitation/Abuse/Other Misconduct)

**Location:** (Country and specific office or program site)

**Date of Report:**

**Submitted to:**

**BASIC INFORMATION**

*If any question does not apply, say “N/A.” If you don’t know, say “Don’t Know.” Do not leave any area blank. Be specific!*

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<tr>
<th>INCIDENT</th>
<th>Who</th>
<th>Did What</th>
<th>Where</th>
<th>How</th>
<th>When</th>
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<tbody>
<tr>
<td>DISCOVERY</td>
<td>Who</td>
<td>If person requests whistleblower protection, say “Anonymous”</td>
<td>Discovered What</td>
<td>How</td>
<td>When</td>
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<tr>
<td>Reported it to</td>
<td>Whom on what</td>
<td>Date(s)</td>
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**ADDITIONAL INFORMATION**

*Fill in any information that is currently known. This section can be updated over time.*

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<th>CORRECTION</th>
<th>Actions with Community Partners</th>
<th>List, by date</th>
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<tbody>
<tr>
<td>Actions with THP Staff or Volunteers</td>
<td>“ “</td>
<td>“ “</td>
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<tr>
<td>Actions to Recover Funds</td>
<td>“ “</td>
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<td>Reporting to Authorities</td>
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<td>Legal Action</td>
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<tr>
<td>Next Steps</td>
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<th>LEARNING</th>
<th>Possible Reasons Why This Happened</th>
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<td>How It Went Undetected</td>
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<td>What Was the Impact</td>
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<td>Recommended Changes</td>
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