

Procedure on Fraud and Corruption

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1. INTRODUCTION

As per Equitas' Anti-corruption Policy¹, corruption and fraud undermine the realization of human rights and democracy, are contrary to fundamental values of integrity, transparency and accountability and reduce organizational effectiveness. Equitas' commitment to anti-corruption is further supported through its adherence to the Code of Ethics and Conflict of Interest Policy included in the Equitas Human Resources Policy (2008)², to the Canadian Council of Cooperation's Code of Ethics, and to Imagine Canada's Ethical Code Program.

At all times Equitas strives to model best practices related to professionalism, integrity, transparency and accountability in the pursuit of our mission of advancing equality, social

¹ Attached in Appendix 1 to this Procedure.

² Refer to Sections 1.8 Conflict Interest and 1.9 Use of Equitas funds (Section 1. Code of ethics and rules of conduct).

justice and respect for human dignity in Canada and around the world. This applies to all Equitas Board Members and employees during official or unofficial representations, program activities and other dealings in all countries in which Equitas or its partners operate.

The Equitas Procedure on Fraud and Corruption (the “Procedure”) is a supplement to, and not a replacement for, all applicable laws that govern incidents of fraud and corruption including but not limited to the *Criminal Code* (Canada) and any other non-Canadian laws that may apply. This Procedure shall at all times be applied in a manner which complies with such applicable laws, regulations, and guidelines.

2. PURPOSE AND SCOPE

The purpose of the Equitas Procedure on Fraud and Corruption “the Procedure” is to ensure that appropriate procedures and mechanisms are in place and applied to prevent and respond to incidents, alleged or actual, of fraud and corruption that occur within Equitas or partners’ projects outside and inside Canada.

The Procedure shall apply to all Equitas staff and Equitas partners.

The Procedure is also intended to assist organizations who have applied for Act Together for Inclusion Fund (ACTIF) funding and new partners of Equitas in country-specific projects, to understand the policies and procedures relating to the due diligence screening process and the general response and consequences in connection with such incidents.

This procedure reflects Equitas commitment to:

- Monitor its processes for the identification and response to all acts and behaviours that are fraudulent and illegal, or that may be characterized as corruption of any kind;
- Apply effective compliance mechanisms and raise awareness among all existing and future partners and staff members; and
- Develop an organizational culture based on ethics and honesty within Equitas and with partners.

3. DEFINITIONS

Global Affairs Canada defines **Fraud** to include corruption, fraud, bribery and other situations of misuse of funds, including offers, gifts or payment, consideration or benefits of any kind, which constitute an illegal or corrupt practice. **Fraud** is defined as an intentional deception made to secure unfair or unlawful gain or to damage another person³.

³ As defined in the Financial Toolkit – Module 12. Fraud Protection / 12.1 How to recognize fraud

Some examples of fraud in our field⁴ include:

- Knowingly creating and/or distributing false or misleading financial reports;
- Violating Equitas' policies or procedures with the aim of personal gain or the financial detriment to Equitas;
- Submitting false claims for payment or reimbursement;
- "Off book" accounting, or making false or fictitious entries;
- Accepting or offering a bribe;
- Accepting a commission from, or paying same to a third party (kickbacks);
- Blackmail or extortion; and
- Theft or misappropriation of assets.

As per Equitas' Anti-Corruption Policy, **Corruption** is defined as "bribery and any other behaviour in relation to a person entrusted with responsibilities in the public and private sector, which violates their duties that follow from their status as a public official, private employee, independent agent or another relationship of that kind and is aimed at gaining undue advantage of any kind for themselves or for others."⁵

4. **PARTNERS**

Based on the COC Nederland's⁶ model and described in its Non-compliance procedure, the "**Circle of Compliance**" is useful for framing the procedure (in 6 steps) on fraud, corruption and their incidents involving future and existing partners of Equitas.

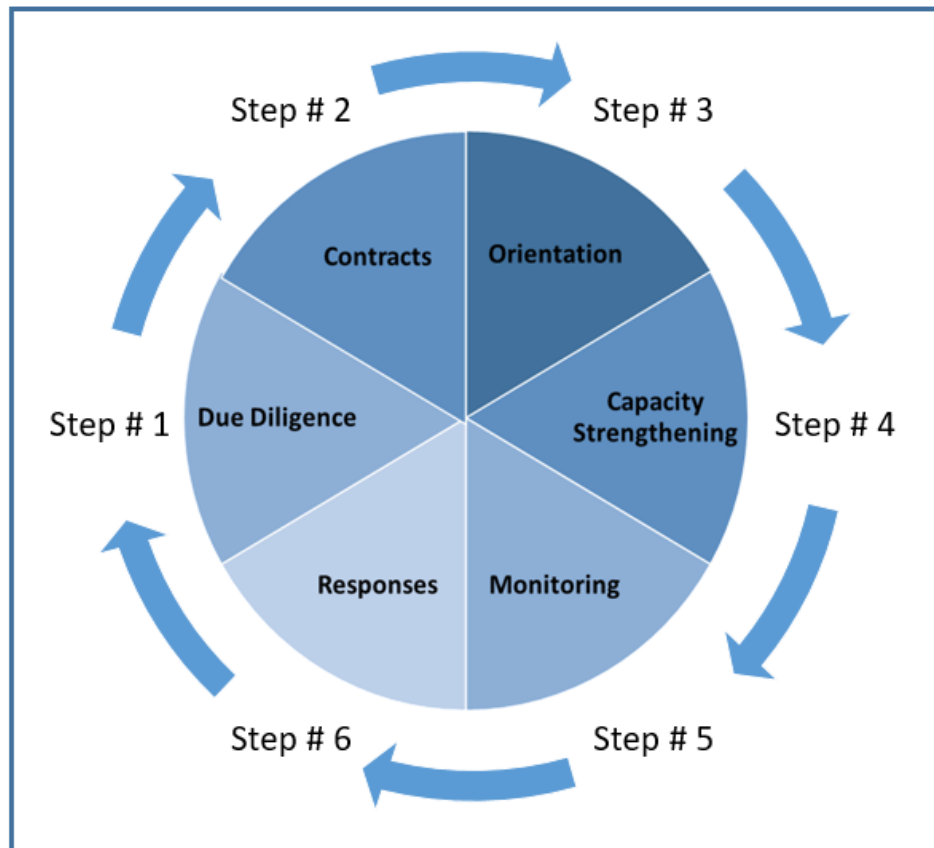
[12.1.2 Types of fraud - Canada.ca](#)

⁴ Extracted from Non – compliance procedure of COC Nederland, a Dutch organisation for LGBT people

⁵ Council of Europe, cited by Bruce M. Bailey. "Anti-Corruption Programming: Questions and strategies". Canadian International Development Agency. 2000 (revised February 2011).

⁶ Non – compliance procedure of COC Nederland, a Dutch organisation for LGBT people.

The Circle of Compliance



Step # 1: Due Diligence

Equitas is responsible for ensuring proper due diligence and screening of ACTIF applicants and new potential partners, relating to incidents and allegations concerning fraud and corruption. Equitas' due diligence process includes an internet and news key word search, a check against terrorist organizations' lists⁷ and the verification of at least two references.

Equitas will also review and ensure that the applicants or new partners have in place adequate and appropriate policies, internal controls, and procedures in connection with the prevention and response to fraud and corruption, and that these are compliant with Equitas' funders' rules and requirements. If internal controls are deemed insufficient, appropriate capacity strengthening and risk mitigation strategies will be required. These may include imposing on partners shorter reporting periods and sending smaller advances, a greater scrutiny of its supporting documents and receipts, and a plan to redress appropriate internal controls.

When an incident or allegation is reported or discovered, Equitas will follow up with the partner. Equitas will seek to acquire more complete information on the incident in order to understand what preventive, corrective or disciplinary measures have been implemented or developed by the partner to address the incident. This assessment will be shared with the Project Selection Committee in the case of ACTIF potential partners, and the Programs Director in the case of other Equitas potential project partners.

Step # 2: Contracts⁸

Equitas will ensure that appropriate clauses are included in the contracts signed with its partners and its external consultants relating to:

- Anti-Fraud and Anti-Corruption, whereby partners acknowledge responsibilities and rules, provide guarantees against corruption and fraud and commit to notify Equitas should incidents occur;
- Procurement policies; and
- Financial and administrative procedures.

⁷ [Criminal Code, R.S.C. 1985, c. C-46 or those appearing on Consolidated United Nations Security Council Sanctions List](#)

⁸ Include all contracts signed with Equitas: **Memorandums of Understanding (MoU)** signed by Equitas with partners for International and Canadian projects, and services contracts signed by Equitas with external consultants (Canadian and International)

Equitas' Financial Procedures, Procurement Policies and Fraud and Corruption Procedure shall be provided and attached to all relevant signed contracts with partners and external consultants.

All contracts shall clearly indicate that in cases of fraud and corruption, the local partner (Southern) is directly responsible for reimbursing the funds in question. In the case of ACTIF, the contracts shall indicate that **Canadian partners are solely responsible to reimburse Equitas** for funds lost because of fraud or corruption or by claiming ineligible costs, due to their own or their local partners' actions.

Risk mitigation measures, as described in Step # 1: Due Diligence, may also be included in the contract.

Step # 3: Orientation

Compliance with regulations starts with clarity and education/training. This improves the partner's understanding of its rights and obligations, which aids in the prevention of fraud or irregularities. After the contract has been signed, Equitas will provide a detailed **orientation** session. This session, presented remotely or in person (a webinar meeting, or meetings, may include several partners), will include a review of the clauses in the contract and an explanation of the **financial and administration procedures**. The goal is for partners to understand their responsibilities and the need for them to have in place financial systems and procedures that ensure sound and fundamental financial management (Transparency, Integrity and Accountability).

Step # 4: Capacity Strengthening

For all Equitas' projects, the capacity strengthening will be conducted through a series of face-to-face and/or online meetings. The Equitas Finance team, supported by external auditors, will provide **Financial Capacity Strengthening Activities (FCSA)**⁹, which is modelled on Global Affairs Canada's own Financial Capacity Building Assessment (FCBA) process.

⁹ In the case of ACTIF, the Senior Financial Officer will provide financial capacity building and assessment visit during the first six months of the project.

The objectives of the FCSA are to:

- Strengthen the partner's¹⁰ understanding of the contract and the funder's¹¹ terms and conditions, with an emphasis on the financial articles;
- Support the partner in strengthening its financial information systems and internal controls for better financial management of the project. Internal control assessment is part of the process; and
- Support the partner in strengthening its capacity to produce financial reports that meet funder's requirements.

The FCSA will also assess systems and procedures that can reduce the risk of fraud and corruption, such as:

- Strong procurement practices and adequate background checks conducted when hiring employees;
- Adequate segregation of financial duties (especially related to cash transactions, banking, and account reconciliations) to mitigate the risk of the misuse of funds;
- Requirement for dual signatures on cheques and fund transfers;
- Delegation of Authority Authorization/approval matrices; and
- Strong physical and IT security controls (personal passwords, secure access to and storage of documents, ID access cards, log sheets, cameras, etc.).

At the beginning of the FCSA, Equitas will provide its partner with a questionnaire to complete; it will be discussed in depth during the first FCSA meeting. The objective of this questionnaire is to assess how the partner will manage the financial aspects of the projects and to identify potential financial risks.

The FCSA will allow Equitas to assess the financial capacity of the partner, to update its risk assessment and to implement appropriate risk mitigation strategies. Where warranted by the risk assessment, Equitas will devise, implement, and require appropriate procedures, which are proportionate to the risks and to the size, resources, and complexity of the partner organisation as well as the assessed level of risk.

Risk mitigation strategies may include conducting a follow-up FCSA visit, requiring more frequent reporting periods with smaller advances, and conducting more thorough reviews of financial reports, including a reconciliation with the General Ledger and a review of all supporting documents and receipts.

¹⁰ In the case of ACTIF (FCSA), Partner refers to both Canadian partners and Local partners (Southern).

¹¹ In the case of ACTIF (FCSA), funder refers to Global Affairs Canada (GAC)

Following the FCSA meetings, a report of the recommendations, and a risk analysis related to internal controls, will be sent to the partner. The partner will be invited to provide comments and additional responses.

Step # 5: Monitoring

Equitas' approach is to work closely with partners, to build a relationship based on trust. Project officers will be approachable and accessible so that the partners will feel at ease to ask questions and discuss uncertainties relating to project management. Equitas' approach aims to increase the partner's willingness and understanding of the importance of complying with the obligations and responsibilities that they assumed when signing their contracts.

Equitas partners commit to using project funds exclusively in accordance with the terms of the signed contract and Donor Funding Agreement¹². They shall also provide interim and final financial reports on the expenditures of the funds. Each report will show a complete list of funds spent on the basis of the budgeted line items as compared to the original Project's budget, with justification of any variances between estimated and actual expenditures by activity (or budget category). Reporting will also confirm the accounts of the Local partner into which the funds were placed.

Equitas partners are also responsible for maintaining full and complete books and records of all receipts, and disbursements of any funds received. Copies of supporting documents and receipts shall be always available to Equitas on request and must be retained for the period stipulated in the funding agreement¹³.

Equitas will review financial reports, flag any inconsistencies or unusual transactions, and return them to be corrected and resubmitted. Equitas may check compliance through spot visits to review financial systems and copies of receipts/invoices

Equitas will be vigilant to the high-risk areas identified by funders:

- Falsifying invoices (e.g. hotels and other travel costs, training costs, etc.);
- Falsifying entire training sessions (e.g. Participants' signatures, etc.);
- Fake procurement of various Project costs;
- Kickbacks for procurement or salary increases; and

¹² In ACTIF, Donor Funding Agreement refer to Contribution Agreement signed by Global Affairs Canada

¹³ In ACTIF, partners shall retain documents, including supporting documents until 31, May 2030 (3 years after the end of ACTIF Fund) 31 May 2027.

- Non-arm's length procurement. Inflating costs with more than one party splitting the windfall funds.

Whistle Blowing process:

1. Complaints can be made directly to the Director of Finance verbally or can be sent in writing via email to complaints@equitas.org
2. The Director of Finance will record the complaint. Complainants will receive confirmation of receipt and a copy of the Procedure within five (5) working days.
3. The Director of Finance will manage the complaint within thirty-five (35) working days, though the period may be longer in complex matters and a notification of extension period will be sent to the complainant. The International Program Director or the Fund Director will be informed of all complaints and consulted on the handling thereof.
4. Subject to the provisions of step 3 above, the complainant is expected to receive an outcome of their complaint within forty-five (45) working days of the receipt of the complaint.

Step # 6: Response

When a non-compliance incident is detected, Equitas will assess whether it is due to an error, an irregularity¹⁴, a suspected fraud or a proven fraud. The Program or Fund Officer, and the Finance Officer, will be tasked with determining if the problem is an error, an irregularity, a suspected fraud, or a proven fraud.

The person who first encounters a case of (suspected) fraud shall report it immediately to the Senior Grant Officer, in the case of country specific projects, or to the Senior Finance Officer in the case of ACTIF.

An ad-hoc committee will be struck to review and determine appropriate responses. The ad-hoc committee will be comprised of the Programs Administration and Finance Officer, the Program Officer managing the project, the Senior Grant Officer (when country specific project is managed by a Program Officer), the Director of Program and the Director of Finance. In the case of ACTF, the Fund Officer, the Fund Director and the Senior Finance Officer will be part of the ad-hoc committee with the the Director of Programs and the Director of Finance.

The ad-hoc committee will make recommendations to the Executive Director, who will approve and communicate these recommendations to the partner.

¹⁴ Any practice, act or omission which is not adhering to the agreements, rules, procedures, etc. in the signed contract would be considered an irregularity.

Responses may include the following: payments put on hold, the suspension or termination of the contract, reimbursement of funds, communication to other donors.




Conditions set by Equitas for the continuation of the relationship may include:

- The full extent of the damage is reimbursed;
- The incidents are reported to the funder by the Executive Director and to other funders (if applicable);
- The Partner organization demonstrably improves its internal organization and monitoring (controls), and
- The Parties involved in the fraud shall be suspended or fired.

This table summarize the steps to take when detecting an error / an irregularity / a suspected Fraud / a Proven Fraud

Process when detecting :	Error	Irregularity	Suspected Fraud	Proven Fraud
Contact the partner to find out information and fix strict deadlines for delivering answers and/or documents				
Report to the Program Director ¹⁵ : explaining the problem and determine if it is an irregularity / Suspected Fraud / Proven Fraud and what can be the solution to solve this irregularity				
Consider stopping planned bank transfers if the irregularity is assessed a high risk.				
Report to the Financial Department: stop all planned bank transfers until the problem is resolved. Should an advance payment be under way, the Director of Finance will seek to retrieve the sum in question.				
Get any documents and information that can prove the fraud (from different members of the organization, from other				

¹⁵ Director of Fund should be involved in the reporting process in the case of ACTIF irregularity/ Suspected Fraud/ Proven Fraud.

stakeholders). Can be done even by sending an extra auditor to check.				
The Program Director / Executive Director will notify the partner that the payments have been suspended until a there is a total clarification of the issue before resumption of the payments can be considered				
Meetings are held with the partner to discuss if and how the 'fraud problem' could be prevented and solved to give them the chance to improve their organization and stop the fraud and continue the partnership.				
Consign steps undertaken (warnings, payments on hold, termination of contract, reclamation of funds, etc.) in a monitoring document indicating all measures that have been taken.				

5. REVIEW

Equitas commits to review and adapt this procedure and to learn from incidents as they arise on an annual basis.

Appendix 1

Equitas Anti-corruption policy statement

Corruption undermines the realization of human rights and democracy, is contrary to fundamental values of integrity, transparency and accountability and reduces organisational effectiveness. Equitas has no tolerance towards corruption.

For the purpose of this statement, **corruption is defined as** “bribery and any other behaviour in relation to a person entrusted with responsibilities in the public and private sector, which violates their duties that follow from their status as a public official, private employee, independent agent or another relationship of that kind and is aimed at gaining undue advantage of any kind for themselves or for others.”

Council of Europe, cited by Bruce M. Bailey. “Anti-Corruption Programming: Questions and strategies”. Canadian International Development Agency. 2000 (revised February 2011). p.15. [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/HRDG2/\$file/EngQ&S.pdf]

This statement applies to all Equitas Board Members and employees during official or unofficial representations, program activities and other dealings in all countries in which we or our partners operate. At all times Equitas strives to model best practices related to professionalism, integrity, transparency and accountability in the pursuit of our mission advancing equality, social justice and respect for human dignity in Canada and around the world.

As part of its commitment to preventing corruption in its operations:

Risks associated with corruption and bribery will be considered as part of Equitas’ overall and ongoing risk management procedures.

Equitas will assess the bribery risk associated with entering into partnership or contracting arrangements with other entities and then carry out periodic due diligence based on that risk assessment.

Where warranted by the risk assessment, Equitas will devise, implement and maintain appropriate procedures, which are proportionate to the risks and to the size, resources and complexity of the organisation as well as the level of risk.

This commitment to anti-corruption is further supported through the Code of Ethics and Conflict of Interest Policy included in the Equitas Human Resources Policy (2008) and Equitas’

commitments to the Canadian Council of Cooperation's Code of Ethics and Imagine Canada's Ethical Code Program.

Accountability:

In the event of an allegation or suspicion of corruption, concerns should be directed to the Executive Director. If the Executive Director is not available or the concerns involve him or her, concerns should be directed to the President of the Board