Skills Training and Rehabilitation Society (STARS)

Anti-Fraud And Corruption Policy

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Introduction

The purpose of this document (the "Policy") is to set forth guidance regarding the appropriate manner of conducting organizational activities, dealing with employees, beneficiaries, government authorities and others.

It is the policy of Skills Training And Rehabilitation Society ("STARS" or the "Organization") to maintain the highest level of professional and ethical standards in the conduct of our organizational affairs.

The organization places the highest importance on our relationships with each other and with our beneficiaries, suppliers, stakeholders and others. As such, this Policy is intended to preserve the reputation and integrity of STARS as well as that of all persons affiliated with it.

The objective of STARS's anti-corruption policy is to establish a culture of honesty and truthfulness through implementation of STARS policies and guidelines and STARS has zero tolerance policy against fraud and corruption. 1 The guidelines and procedures in this policy shall be communicated to all staff of STARS for their understanding and to adhere to controls that are designed to avoid corruption in STARS.

This policy also contains procedures for fair investigation in case of any indications of fraud or corruption in order to avoid biases and partial behavior while dealing with fraud and corruption.

Scope of the Policy

This policy applies to all individuals working at all levels and grades, including managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, casual workers, volunteers, interns, agents and other persons working in any relation or capacity with STARS.

What are Corruption and Fraud?

For the purpose of this policy statement, the terms and 'corruption' and 'fraud' are defined as follows:

According to Transparency International, "corruption" is defined as **"the abuse of entrusted power for private gain"**. Such fraudulent conduct by those in power, aimed at getting private gain typically involves bribery. Corruption can also be perceived as not only illegal activity, but also as an unethical and immoral act which might not be forbidden by the law, but might be otherwise damaging to one's reputation and good standing.

Corruption is the term used to describe illegal behavior which enables individuals in power to misuse their official position for personal gain. Corruption may include criminal activity such as bribery, extortion and the related offence of money laundering. Corruption has a corrosive effect on civil society - it undermines the rule of law and is contrary to universal principles of fairness and justice. It also damages trade and commerce by attacking free and fair competition.

Corruption is a major hindrance to sustainable development because it diverts funds away from social needs. Corruption has a disproportionate impact on poor communities and the institutions which are supposed to protect them. In addition, if allowed to flourish, corruption ultimately deters organizations from working with International Aid Coordination Groups and donors. Organizations are increasingly concerned to protect their reputations by ensuring that they are not exposed to allegations of corruption.

Similarly, "Fraud" is an intentional distortion, deceit, trickery, and perversion of truth or breach of confidence, relating to an organization's financial, material, or human resources, assets, services and/or transactions, generally for the purpose of personal gain or benefit. Fraud is a criminal "**deception or the use of false representations to gain an unjust advantage"**.

The above definitions of corruption and fraud equally apply to all malpractice and unethical behavior, including:

- Embezzlement - theft of organization's resources for own use.
- Misuse and misappropriation of funds
- Alteration of receipts, unauthorized use of asset
- Unauthorized access to STARS's computers, database, records or IT system
- Collusion and bribery - Bribery means that a person, organization or institution improperly provides goods or services against some form of improper remuneration. This involves (at least) two parties
    1. Obstruction of justice
    2. Sharing of profits / kickbacks, cuts, discounts for personal benefits
- Abuse or misuse of power
- Extortion - the act of obtaining something by force, threats or undue demands
- Favoritism - is the unfair favoring of one person or a group with something at the expense of others
- Nepotism is favoritism shown to relatives such as siblings, friends, cousins, family members etc in conferring offices or privileges

Indicators of Fraud and Corruption

- Holding private meeting with vendors
- Abnormal cash payment
- Asking for advance payments
- Always Dealing with vendors personally
- Bypassing normal tendering process
- Not performing in compliance with the policies
- Not taking into account ethics or disillusionment

What is the role of STARS staff?

To achieve its anti-corruption objectives, it is important that every manager, officer, and employee (including contractor staff) of STARS makes ethical decisions and ensures that

his or her actions are consistent with the law, and STARS's by-laws. This means that you need to read, understand, and commit to the principles and standards set out in this policy.

In addition, STARS management needs to take steps to ensure that third parties acting on its behalf, such as consultants, intermediaries and Civil Society Organizations (CSOs), also comply with its standards. Every employee of STARS has an important role in communicating these guidelines to third parties, monitoring their compliance, and reporting any issues in breach of the procedures in this policy.

If staff have any questions or are uncertain about how they should proceed in a given situation, they should seek advice from the respective departmental manager or the Managing Director.

Roles and responsibilities

1) Compliance Manager

The Managing Director and the Finance, Program, and Admin Managers will function in the role of Compliance Managers. Following are responsibilities of the Compliance Managers of STARS:

- Effectively implementing the Anti-Fraud & corruption guidelines
- Making sure that objectives of the policy are achieved
- Promoting and ensuring awareness and knowledge of the Anti- fraud & Corruption Policy and the Anti- Fraud & Corruption Compliance Procedures among STARS staff
- Communicating Anti- Fraud & Corruption guidelines to other stakeholders of projects
- Addressing complaints and concerns of staff blowing whistles
- Encouraging whistle blowing and providing protection to whistle blowers
- Investigating instances and indicators of fraud
- Reporting the results of Anti- Fraud & Corruption procedures to the Managing Director/ Board of Directors
- Working as a team for fraud prevention and fraud detection
- Reviewing financial reports, ledgers and supporting documents regularly to identify possible indicators of fraud and corruption.

2) Project Managers

Following are the responsibilities of project managers of STARS:

- This policy by itself may not provide controls to prevent corruption, but it will make the managers to comply with the controls provided in other policies such as Finance, Human Resource, procurements and others. Review of financial transactions of the project regularly to trace any irregularity in project activities
- Provision of necessary financial and non-financial information to the Compliance Managers for performance of his anti-corruption policies

- Facilitation of audits and investigations by third parties

3) Finance Manager

The Finance Manager has a significant role in effective implementation of the Finance Policy along with Anti- Fraud & Corruption policy and prevention of fraudulent activities. Following are responsibilities of the STARS's Finance Manager:

- Review all financial transactions for:
  - ✓ Accuracy
  - ✓ Completeness
  - ✓ Occurrence
  - ✓ Cut-off
- Review project specific transactions to assess whether these are:
  - ✓ Allowable
  - ✓ Allocable
  - ✓ Authorized
  - ✓ Within the budget
  - ✓ Correctly classified
- Maintain complete supporting evidence of all agreements, payments and receipts etc.

4) Managing Director

The Managing Director is charged with overall management of the affairs of STARS and is responsible to ensure transparency in operations and true and fair reporting of affairs of the organization. In order to achieve this, the Executive Director shall:

- Review the periodic reports of the compliance team and perform inquiries about any issues identified in the report
- Review and update the Anti- Fraud & Corruption guidelines regularly
- Ensure fair investigation of the instances of fraud and corruption
- Promote a culture of fairness, truthfulness and accountability

Communication and Orientation

- A newly recruited employee should read the anti-fraud and corruption policy
- STARS should make reporting obligatory; if an employee within the organization has any type of information then she/he should report as per the provision of current policy
- if a member of the organization reports then she/she should be safe and the report confidential

Gifts and Hospitalities and Entertainment

Providing gifts, hospitality or entertainment (GHE) is often considered a form of courtesy and is common in everyday business especially in social welfare sector. However, in some circumstances it may also be a form of bribery, particularly when it is used to induce favorable treatment (e.g. in the context of a tender process or competitive bidding exercise, contracting and recruitment etc.).

Normal and appropriate hospitality and gifts would include where the hospitality or gift:

- is not made with the intention of influencing a third party to obtain any financial benefit, or to reward the provision of business or a business advantage, or in explicit or implicit exchange for favors or benefits;
- complies with local law;
- does not include cash or a cash equivalent (such as gift certificates or vouchers);
- is appropriate in the circumstances, for example, on occasions likes Eids etc.;
- takes into account the reason for the gift, is of an appropriate type and value and given at an appropriate time;
- is given openly, not secretly; and
- is not offered to, or accepted from, government officials or representatives, or politicians or political parties, without the prior approval of the Managing Director.

1) What is not acceptable?

STARS staff shall not under any circumstances offer or accept Gifts, Hospitality and Entertainment (GHE), including meals, travel or related expenses, directly or indirectly, that violate the Anti- Fraud & Corruption policy of STARS and are other unethical. The maximum amount of a gift acceptable shall not accept Afghani 500. It is not acceptable for you (or someone on your behalf) to:

- Give, promise to give, or offer, a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- Give, promise to give, or offer, a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- Accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- Threaten or retaliate against another worker who has refused to commit a bribery offence or who has raised concerns under this policy; or
- Engage in any activity that might lead to a breach of this policy.
- No STARS employee may receive any gift in cash or kind from a subordinate, a beneficiary, or a dealer with whom the organization does business, even for a seemingly justifiable reason.

Employees should use good judgment and return improper gifts to third party. If this is not possible, the compliance managers shall deal with it appropriately, either by retaining the gift or giving it to charity.

- **Recordkeeping, accounting and reporting practices** Use standardized templates for recording and posting financial transactions, making use of company seal, where required, for approval of transactions.
- Prepare checklists of supporting evidence for transactions to ensure completeness of required documents

- Design and implement authorization and review procedures for book keeping. Transactions should be posted in accounting system after review and authorization by respective Project Managers and Finance Manager
- Clearly assign roles and responsibilities for approval and authorization of transactions at organizational level and at project level
- Design and implement logical and physical access controls on computerized accounting information and hard copies of documents
- Use consistent accounting and reporting policies organization-wide, except where a different treatment is required by the donor
- Create backup files of books of accounts regularly
- Retain financial records and reports for at least 5 years after the end of reporting period or end of the project
- Ensure proper handover of documents and financial records in case of any relevant staff leaving the organization
- Facilitate, investigations, inspections, and reviews by internal auditors, external auditors and donors
- Facilitate investigations by Compliance Managers, allowing them access to records and personnel

Whistle blowing

Whistle-blowing is the act of telling the authorities or the board of directors that the organization you are working for or any employee of the organization is doing something immoral or illegal.

STARS encourages whistle blowing against any fraudulent activities in the organization and its dealing with its donor, beneficiaries, vendors, and other stakeholders. It is responsibility of the compliance manager to deal with the issues identified by whistle blowers.

Not every disclosure of any type of information qualifies as whistleblowing in the sense of these rules. For example, the rules are not intended to apply to the reporting of the following types of information:

- Information already in the public domain (for example: newspaper articles, publicly available audits);
- Unsubstantiated rumors and hearsay;
- Matters of a trivial nature;
- Disagreements over legitimate policy; and
- Information not linked to the performance of one's duties.

1) Reporting procedures for whistle blowers

Whistle blower shall read and understand the whistle blowing policy of the STARS and shall adhere to whistle blowing procedures and guidelines:

2) Internal whistleblowing – first option

Staff members who, in the course of or in connection with their duties, discover that serious irregularities may have occurred or may be occurring, are obliged to report this discovery forthwith and in writing to either their immediate superior or to their department or project managers and the compliance manager.

3) Internal whistleblowing – second option

If there is a concern that this disclosure may lead to retaliation or that the intended recipient of the report is personally implicated in the serious irregularities, then the staff member may also bypass this direct means of internal reporting and address his or her report to the Managing Director/ Board of Directors.

In any case, the recipient of the information is in turn obliged to transmit the information thus received without delay to Managing Director. Therefore, while the staff member concerned has a choice of reporting channels, the information should ultimately reach Managing Director in a short period of time.

4) External whistleblowing – option of last resort

Upon receipt of the information reported internally, compliance managers must give the whistleblower within 7 days of receipt of the information an indication of the period of time that it considers reasonable and necessary to take appropriate action.

If no action is taken within that period of time, or if the whistleblower can demonstrate that the period of time set is unreasonable in light of all the circumstances of the case, he or she may make use of the possibility of external whistleblowing.

Under this section, if neither the compliance manager nor the Managing Director has taken appropriate action within a reasonable period, the staff member who reported the wrongdoing has the right to bring his or her concerns to the attention respective government departments, ministries or the court of law of Afghanistan.

However, the duties of discretion and of loyalty imply that this is an option of last resort, justifiable only if the official concerned honestly and reasonably believes that the information disclosed, and any allegation contained in it, are substantially true and if s/he has allowed the officials of STARS a reasonable period of time to take the appropriate action. Reasonable time shall be one month to resort to option of external reporting.

5) Basic principles

- Members of staff have a duty to report serious irregularities.
- For this purpose, members of staff must have a choice between a number of reporting channels for whistleblowing. The principal channel is the normal chain of hierarchical command. If staff considers it to be safer to bypass the normal chain of hierarchical command, they must be able to do so. Under certain conditions, staff may address their concerns to relevant external authorities as an option of last resort.
- Members of staff who report serious irregularities in good faith must not under any circumstances be subject to retaliation for whistleblowing. They must be protected and their identity must remain confidential if they so desire.

- The reported facts must be verified in the appropriate manner and, if they are confirmed, the Commission will take all necessary steps to ensure the appropriate follow-up.
- The rights of defense of any person implicated by the reported incidents must be respected.
- Malicious or frivolous denunciations will not be tolerated.

6) Whistle blowing protection

The most effective way to encourage staff to report concerns is to provide assurance of protection of their position. Clearly defined channels for internal reporting as well as safe and accepted routes through which staff may raise concerns outside the organization as an option of last resort should be in place.

Any employ who reports a serious irregularity, provided that this is done in good faith and in compliance with the provisions of these guidelines, should be protected against any acts of retaliation. Regarding burden of proof, it shall be up to the person taking any adverse measure against a whistleblower to establish that the measure was motivated by reasons other than the reporting.

It should be noted that staff members will not be expected to prove that the wrongdoing is occurring, nor will they lose protection simply because their honest concern turned out to be unfounded.

The following specific protective measures apply:

7) Confidentiality of identity

The protection of a person reporting a serious irregularity in good faith shall be guaranteed first of all by the fact that their identity will be treated in confidence. This means that their name will not be revealed to the person(s) potentially implicated in the alleged wrongdoings or to any other person without a strict need to know, unless the whistleblower personally authorizes the disclosure of his/her identity or this is a requirement in any subsequent criminal law proceedings.

8) Appraisal and promotion

Particular care will be taken during staff appraisal and promotion procedures to ensure that the whistleblower suffers no adverse consequences in this context. If this is the case, the matter shall be referred to the Managing Director and Board of Directors for their decision.

9) Penalties for those taking retaliatory action

No members of staff or managers of STARS or its stakeholders may use their position to prevent other members of staff from complying with their obligation to report serious irregularities.

Any form of retaliation undertaken by a staff member against any person for reporting a serious irregularity in good faith is prohibited. In such cases, disciplinary measures will normally be taken.

Where members of staff consider that they have been the victim of retaliation as a result of the disclosure of a serious irregularity, they shall be entitled to ask for assistance from the Managing Director/ Board of Directors and to request that protective measures be adopted. Such requests should be addressed to Managing Director.

10) Limits

Disciplinary action will be taken if staff member makes unwarranted or damaging allegations that s/he cannot show to be honest or reasonable. The effect of this is that wherever a staff member is contemplating a disclosure in the sense of these guidelines, it is advisable to let the facts speak for themselves.

Similarly, if the staff member makes the disclosure for purposes of private gain – for instance by selling the information to external parties – he or she will forfeit this protection as that would not be a legitimate disclosure in the sense of the whistleblowing rules.

11) Communication and awareness-raising

In order to increase the awareness of the whistleblowing arrangements amongst staff, these guidelines will be given adequate publicity through the internal communication channels in the organization and will be included in the orientation brief for new employees, on ethics and integrity.

12) Revision

The practical application and effectiveness of these whistleblowing guidelines will be evaluated at the end of a period of three years following their adoption. In light of the results of this evaluation, these guidelines may be revised as appropriate.

Inquiries and Investigation

The management team is responsible for inquiries and investigation of issues of fraud and corruption reported by STARS staff. Inquiries and investigations may be conducted by any of the following:

1) Investigation by compliance manager

In case of any complaint or concerns relating to a particular department or a project, the relevant manager shall be responsible to conduct investigation of the matter and prepare a report on conclusions. The compliance manager shall report to the MD/ Board of Directors, who will take decision on the report in case of fraud.

Investigation by the investigating committee In case concerns are raised against the possible involvement of the compliance manager in the suspected corruption or fraud, or the whistle blowers has concerns on impartiality of the compliance manager supported by a valid logic, then the MD/ Board of Directors may constitute an Investigating Committee to conduct investigation of the matter.

Investigation by third parties

If the acts of any person external to the organization in any ways affects STARS or violates its policy on anti-corruption, the matter shall be referred to a competent external authority or third party.

In this case the competent authority may decide the manner in which investigations shall be conducted. Compliance managers and other departmental heads shall facilitate investigation by such third parties and provide access to information and personnel of STARS that are required for effective investigations.

Penalties and consequences of non-compliance

In all proceeding of anti-corruption guidelines of STARS, compliance with these guidelines and any decisions made by the competent authority (Managing Director or the Board of Directors) shall be strictly adhered to.

Non-compliance with these guidelines may result in penalties which shall be recommended by the investigating authority and may be decided by Managing Director or the Board of Directors.

Audits and Evaluations

Audits and Evaluations of STARS assets, finances, operating units, accounts and contractors may be conducted periodically to ensure that the requirements of this Policy and applicable procedures and guidelines are being met. Audits may be conducted internally by STARS, or externally by retained third parties. Audit documentation shall include performance improvement action plans. Senior management of STARS including Chairman, Partners and Directors are required to review Program's suitability, adequacy and effectiveness and implement any improvements identified, on annual basis.

Monitoring and review

At organizational level the compliance managers of STARS shall monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness.

At project level each project manager is responsible for implementation of the guidelines in this policy and takes necessary steps to deter corruption and fraudulent activities.

Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

All workers are responsible for the success of this policy and should ensure they use it to disclose any suspected danger or wrongdoing.

Revision of the policy

Employees are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the compliance managers.

This policy does not form part of any employee's contract of employment and it may be amended at any time.

Anti-Fraud Corruption Trainings

STARS organization should provide trainings and workshops on corruption and fraud to its staff annually.

Declaration/Reporting Forms

STARS relevant departments should make available the Declaration form and reporting forms to its employees, beneficiaries, vendors and other stakeholders.