

ANNUAL CORRUPTION CASE REPORT 2017

Integrity, Compliance & Legal Dept.



This report has been prepared to the best knowledge and judgment of the Integrity, Compliance & Legal department based on information shared by the SOS regions and member associations.



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1 Internal Corruption Prevention Framework

The SOS Children’s Villages policy on [Good Management & Accountability Quality Standards](#) was developed during 2011 and 2012 and adopted by the federation in March 2013. It sets the quality standards in the areas of management and transparency, integrity of the organisation and protection of assets. These quality standards are **mandatory for all member associations**.

The Good Management & Accountability Quality Standards clearly state that we do not accept corruption and follow a “**zero-tolerance**” approach. Our zero-tolerance approach means that corruption always results in action on our part. This action varies according to the situation and ranges from criminal prosecution in serious cases to training and individual development measures for minor offences.

Two main documents complementing the quality standards are the Anti-Fraud & Anti-Corruption Guideline, and the [Code of Conduct](#). SOS has developed its Code of Conduct to uphold and promote the highest standards of ethical and professional conduct among all co-workers and persons affiliated to the organisation. By **signing this Code of Conduct** all board members and co-workers commit, in unison with the entire SOS federation, to aspire to and maintain the required conduct as a precondition for service to SOS Children’s Villages.

The [Anti-Fraud & Anti-Corruption Guideline](#) provides information on different forms of corruption and their consequences. **Responsibilities** of individual co-workers (both in member associations and in the General Secretariat of SOS Children’s Villages International) are laid out, and steps to be taken concerning **reporting, investigation and responding** to allegations are stated. This guideline applies to co-workers and board members at all levels of SOS.

2 Corruption Case Statistics 2017

2.1 Overall Number of Corruption Cases

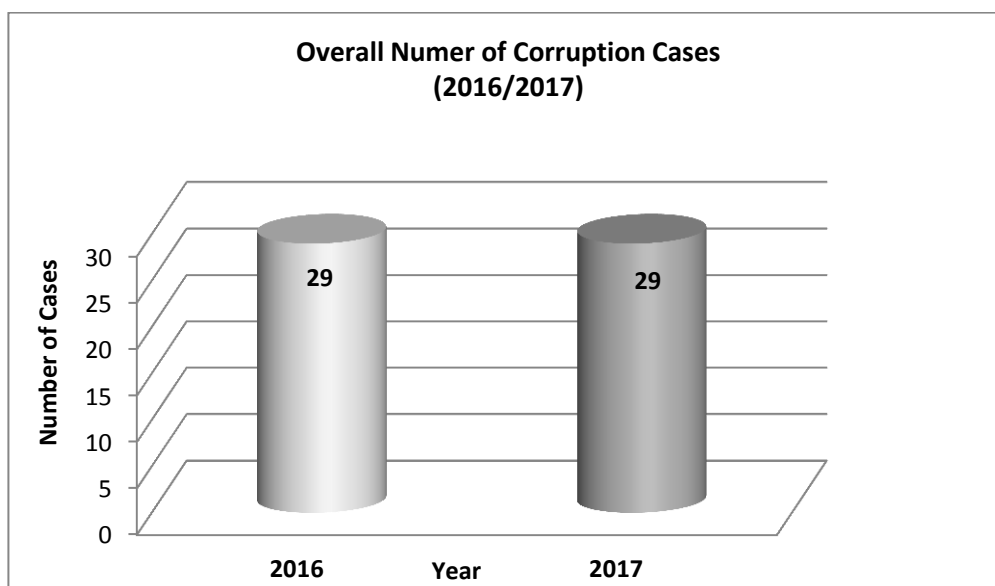


Table 1

In 2017, as in the year before, 29 new corruption cases were reported or identified.¹ Combined with the steady increase since 2010, this indicates that this number, or even a more elevated level, is the new norm. However, increased use of whistleblowing channels is generally positive and a metric for the effectiveness of, and confidence in, our reporting process. Learning about potential misconduct early gives our organisation time to respond and correct issues before they grow and cause greater damage.

Since November 27, 2017, SOS Children’s Villages International also operates an online whistleblowing channel for reporting suspected corrupt conduct. We introduced the online channel to complement the existing reporting options, acknowledging the variety of situations whistleblowers may find themselves in. Offering different reporting mechanisms can also discourage individuals from misconduct through greater fear of being reported.

2.2 Corruption Cases per Result

In 21 out of the 25 reported corruption cases from 2017, where the investigation was finalised by December 31, 2017, allegations were found to be fully or partly true and could therefore be confirmed (72%). In four cases the allegations could not be confirmed, either because they were proven unsubstantiated or because not enough evidence was found in order to pursue the allegation. In another four cases which were reported or identified in 2017, the investigations continue into the year 2018.

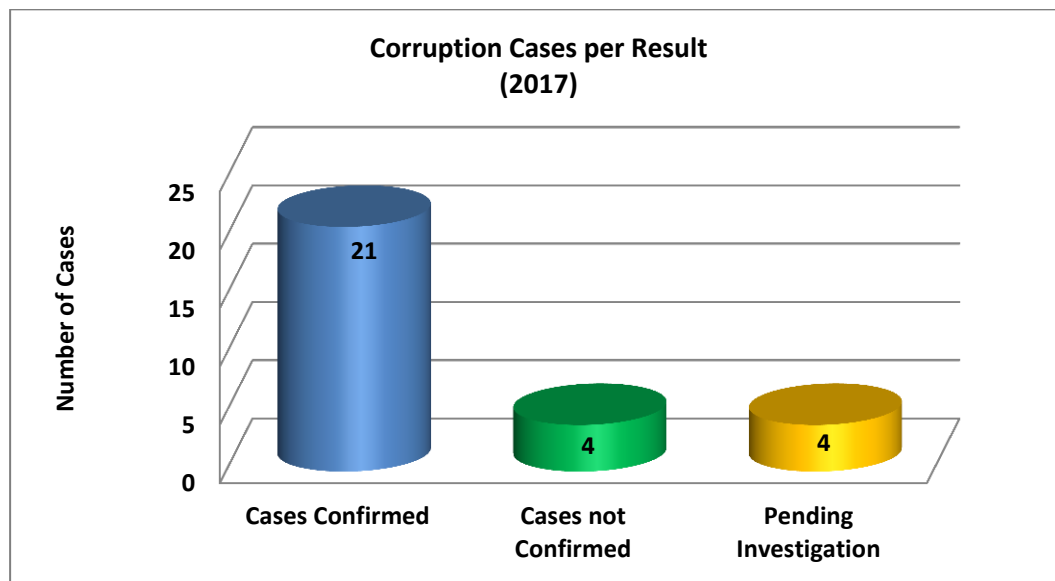


Table 2

¹ Cut-off date for the collection of the data is information available at the Integrity, Compliance & Legal department by December 31, 2017.

2.3 Corruption Cases per Category

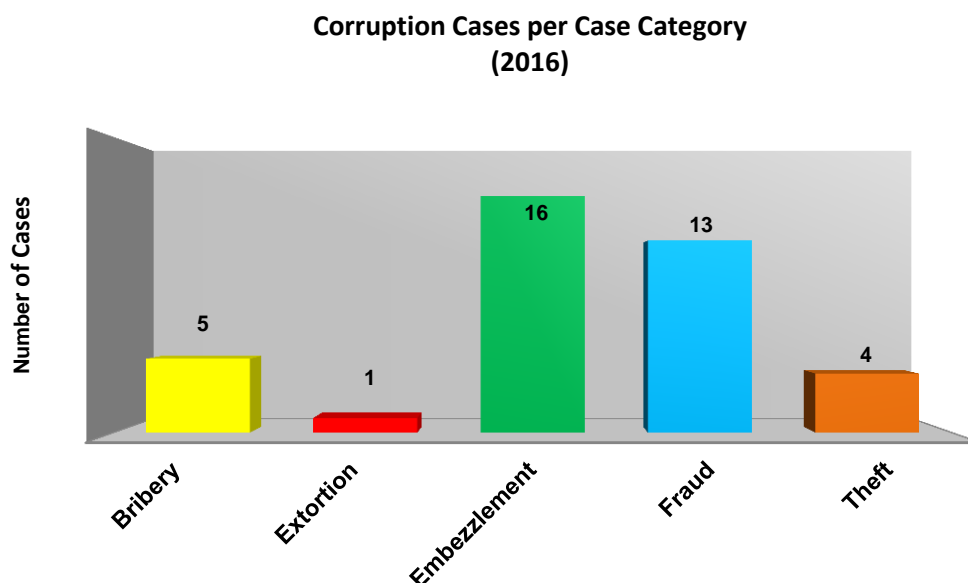


Table 3

Note: Multi-metering for a single case is possible, e.g., one case can fall in several case categories, such as allegations of fraud and embezzlement.

The case categories most relevant for cases reported or identified in 2017 were embezzlement and fraud. In 55% of the overall 29 reported corruption cases, the allegations included potential embezzlement. In 45% of the reported corruption cases fraud was suspected.

In Section 3: [Question & Answers](#) we provide explanations and examples for corruption categories, such as:

- **Fraud** includes the wilful deception to obtain an unlawful benefit to the disadvantage of our organisational resources.
Examples: (1) A co-worker submits private receipts/invoices as part of business travel. (2) Payroll staff members create fake employees and pay these 'ghost employees', directing the money into their own bank accounts. (3) A co-worker forges the invoice of a supplier to personally collect the invoiced amount.
- **Embezzlement** is the misuse of entrusted resources for one's own or someone else's benefit.
Examples: (1) A co-worker claims to have lost his/her company mobile phone (=entrusted to him/her), while in fact she/he has given it to a family member for private use. (2) A co-worker who has access to company accounts (=entrusted company resource) transfers funds to his/her private bank account.

2.4 Corruption Cases per Programme Affected

The following chart shows all programme/service types provided by SOS that were named within the reported or identified corruption cases in 2017. Allocation to the programmes/services is based on the frequency of being named in the cases and does not indicate confirmed corrupt conduct and/or resulting financial loss.

We recognise that concerns of suspected corrupt conduct occur in a wide range of our programmes/services. This strongly supports SOS’ approach to apply a federation-wide corruption prevention framework with globally applicable policies and guidelines, such as our Anti-Fraud and Anti-Corruption Guideline. It is also reflected in the decision to roll out a global Integrity & Compliance Network in 2017, which currently brings together over 125 contact persons who contribute to the strengthening of corruption prevention within SOS. Generally, the comparatively higher frequency of suspected corrupt conduct in SOS care programmes (Children’s Village, Youth Facility, Family Strengthening) of in total 55% is proportionate to the scope of our programmes worldwide.²

Corruption Cases per Programme Affected (2017)

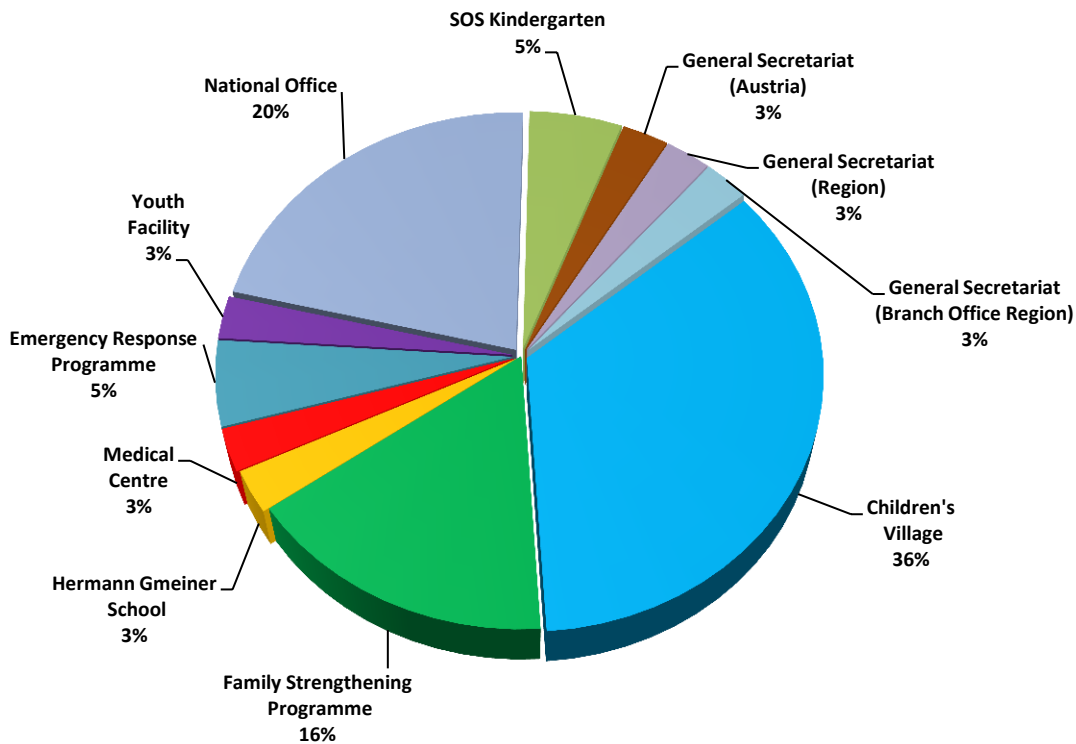


Table 4

Note: Multi-metering for a single case is possible, e.g., one case can relate to several programmes/services.

² See [SOS International Annual Report 2016](#), page 37 (60% of SOS programmes worldwide belong to SOS care programmes).

2.5 Corruption Cases per Source

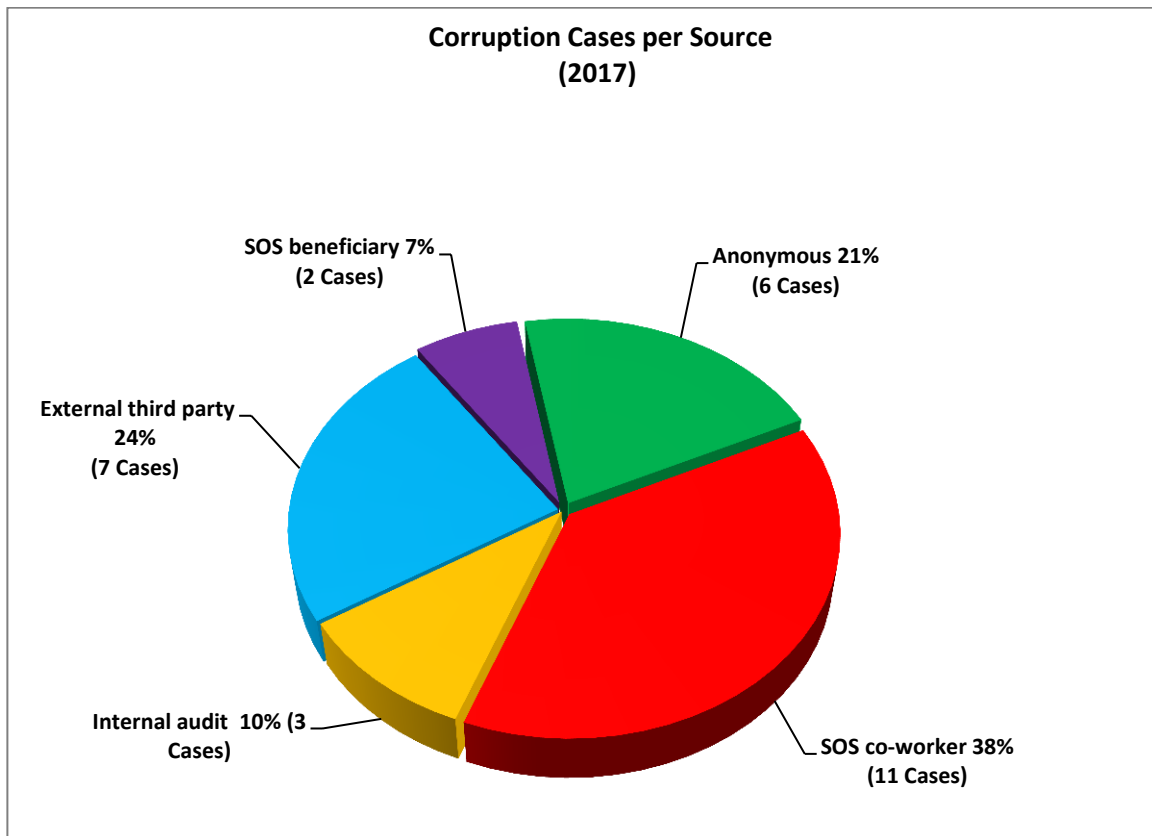


Table 5

In 2017, 90% of the suspected corruption cases were reported through whistleblowers (e.g., SOS co-workers, external third parties, SOS beneficiaries and anonymous reports), compared to 65% in 2016. The visible increase of such reports indicates that the efforts made throughout 2016 and 2017 in terms of awareness-raising were effective.

Compared to the previous years, the percentage of confirmed corruption cases that were reported anonymously slightly declined (two of five completed investigations were confirmed). Of course, one common reason for this often lies in the fact that investigators cannot reach anonymous whistleblowers to obtain further necessary information. Without such information a thorough investigation can be a challenge (e.g., determining timing and chronology of events, identification of witnesses, location of documents, etc.). With the new SOS Children’s Villages International online whistleblowing channel we actively work towards reducing these challenges. All whistleblowers have the possibility—and are actively encouraged—to set up a personal postbox within the online channel. This allows them to engage in a dialogue with us, facilitating a more efficient review and follow-up of reported suspicions of corrupt conduct, if desired while remaining anonymous.

2.6 Remediation Efforts and Measures

In 2017, we recovered € 13,037 which elevates the overall recovered funds from 2010 through 2017 to the amount of € 183,906. While this is a smaller recovery amount than in the previous year, we note that cases detected early give us the opportunity to address improper conduct before a situation escalates and causes severe financial loss. In addition, nine of the cases investigated in 2017 are still pending in the remediation phase with options for further recovery of funds.

As we follow a zero-tolerance approach, there is always a response to corrupt conduct. Responses vary according to the specific circumstances of each individual case. Generally, if a case is confirmed, we at SOS always review processes, and, where appropriate, introduce structural enhancements. In addition, we also take appropriate human resources measures which in 2017 ranged from individual trainings over sensitization workshops for co-workers to disciplinary warnings and, in severe cases, to termination of the employment.

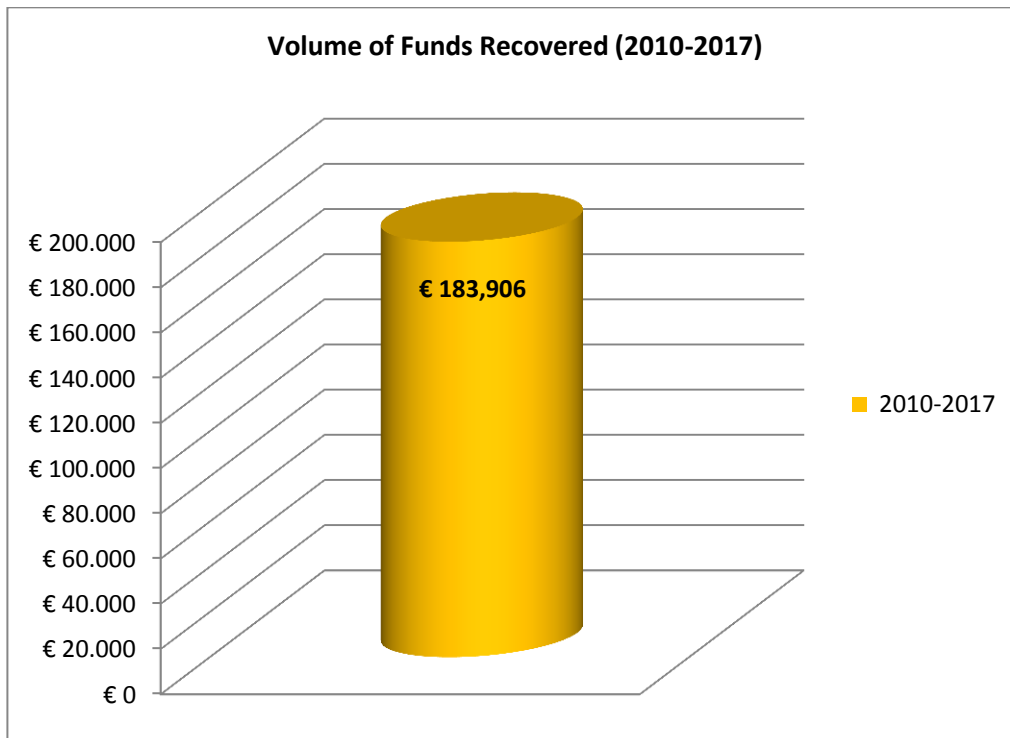


Table 6

3 Questions & Answers

3.1 What are examples of suspected corruption that shall be reported?

Below, please find explanations and examples of suspected corruption that shall be reported:

Bribery: A person, organisation or institution provides goods and/or services in return for some form of improper benefit.

Examples: (1) A co-worker makes a payment to a city official to obtain a building permit; (2) A co-worker accepts money from a supplier in return for awarding the supplier a contract

Embezzlement: Embezzlement is the misuse of entrusted resources for one's own or someone else's benefit.

Examples: (1) A co-worker claims to have lost his/her company mobile phone (=entrusted to him/her), while in fact she/he has given it to a family member for private use. (2) A co-worker who has access to company accounts (=entrusted company resource) transfers funds to his/her private bank account.

Extortion: Extortion is the act of obtaining something by force or threats.

Example: A co-worker threatens to spread lies about his/her supervisor if she/he is not allowed to use the company car for private purposes.

Fraud: Fraud includes the wilful deception to obtain an unlawful benefit to the disadvantage of our organisational resources.

Examples: (1) A co-worker submits private receipts/invoices as part of business travel. (2) Payroll staff members create fake employees and pay these 'ghost employees,' directing the money into their own bank accounts. (3) A co-worker forges the invoice of a supplier to personally collect the invoiced amount.

Theft: Theft includes the unauthorised removal or taking of organisational property.

Example: A co-worker steals an SOS computer.

3.2 Which reporting channels can be used to report suspected corruption?

SOS co-workers are encouraged to personally get in contact with

- Their *supervisor*;
- Their *National Director* or the *International Director* of their SOS region;
- Their *supervisor's superior* or the *Human Resources department*;
- *Another internal person in a position* to receive such reports (e.g., local staff council or supervisory board).

Third parties can always approach their SOS-internal contact person, if available.

Both SOS co-workers and third parties can report through the *SOS Children's Villages International online whistleblowing channel*, via the link on the SOS Children's Villages International external website www.sos-childrensvillages.org/integrity-and-compliance.

4 Selected Corruption Case Examples

The following real-life corruption case examples taken from our federation shall make the case processing and performance statistics more tangible. These anonymized cases, which we worked on in 2017, illustrate how reporting, investigation and response is approached and handled.

4.1 Case Example – Fraud / Embezzlement

Allegation: Confirmed

Allegation:

Suspicious against local Management Team Member(s) and co-worker(s) from the Finance and Human Resources departments in relation to improper conduct related to procurement (handling of tendering fee) and salary advances.

Investigation:

A field visit by the Finance department identified and confirmed:

- There is missing documentation that tendering fees collected in cash from service providers were transferred to the cash register or bank accounts; the whereabouts of the funds are unclear.
- Several salary advances paid out to certain persons in the management were not properly paid back by them / off-set against their regular monthly compensation and this was concealed by fictitious documentation.

Remediation Measures:

- Dismissal of concerned individuals.
- Initiation of legal proceedings against the concerned individuals to recover the funds.

4.2 Case Example – Fraud / Bribery

Allegation: Not Confirmed

Allegation:

The following allegations were made against one or more National Management Team member(s) or Supervisory Board member(s) or staff of the General Secretariat with managerial responsibility:

- The misuse of travel expenses.
- Kickbacks for procurement.
- Unauthorised use of SOS vehicle.

Investigation:

An internal audit with the support of an independent external audit firm was carried out.

The audit result revealed that:

- No positive assurance regarding the above mentioned allegations was discovered.
- However, the findings indicated that the respective management was negligent in controlling the assets of the organisation with regard to outstanding advances to employees for travel and inventory.

Lessons Learned/Enhancements:

The auditors provided a list of six recommendations. Lessons learned include reviews of the travel policy as well as internal regulations on advance payments and considerations on the nomination of a custodian for equipment.

4.3 Case Example – Fraud / Embezzlement

Allegation: Confirmed

Allegation:

Allegations were made against three local staff members regarding non-payment of contracted community workers by improperly withholding their payments.

Investigation:

The National Director commissioned an internal investigation which confirmed the allegation through the following investigation measures:

- Retrieving and screening all relevant documents, such as disbursement vouchers;
- Interviewing SOS co-workers from different departments and levels about the basis of outgoing payments and their frequency;
- Interviewing community workers about their activities and payments.

Remediation Measures:

- Dismissal of concerned individuals.
- Case was reported to the police.
- Funds were recovered and paid back by the concerned individuals.
- Supervisors received warning letters for failure to supervise their teams.
- Payment process was streamlined, the risk register was updated and a local whistleblowing telephone number was established.

5 Annexes

5.1 Referenced Guidelines and Related Materials

[Good Management & Accountability Quality Standards](#), in particular 'Standard 2'

[Anti-Fraud & Anti-Corruption Guideline](#)

[Code of Conduct](#)

5.2 Abbreviation & Organisational Structure

SOS 'SOS' refers to 'SOS Children's Villages federation'

We are a federation of autonomous, interdependent member associations. The General Secretariat runs the federation's daily business, implements and monitors the implementation of the decisions of the federation's legal bodies, and provides support and services to and facilitates cooperation among member associations.



INTEGRITY & COMPLIANCE

Corruption prevention at SOS Children's Villages

At SOS Children's Villages, transparency and accountability underline everything we do. We are committed to using all of our funds and resources wisely, ensuring they are being appropriately utilised and accounted for.

➤ **We value integrity & compliance.**

Our core values of courage, commitment, trust and accountability guide our actions, decisions and relationships.

➤ **We prevent.**

SOS Children's Villages recognises the realities of corruption risks and continuously works to strengthen its approach to prevent corruption.

➤ **We report. We respond.**

SOS Children's Villages does not tolerate any form of corruption.

➤ **We promise.**

By fostering transparency, awareness and corruption prevention efforts throughout the federation, we continuously strive to enhance the accountability of our organisation and live up to the trust of our stakeholders.

For more information, please visit our website at:

www.sos-childrensvillages.org/integrity-and-compliance

