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 2016

2.1 Overall Number of Corruption Cases

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>18</td>
</tr>
<tr>
<td>2016</td>
<td>29</td>
</tr>
</tbody>
</table>

Table 1
A total of 29 corruption cases were reported or identified in 2016. Following a consistent increase over the last six years, 2016 saw further growth in the number of reported or identified corruption cases. The overall number increased by 61% compared to the previous year.

This elevated level of reporting or identification may be attributed to a number of possible trends: Our maturing integrity and compliance programme means more co-workers identify corrupt conduct, recognise the need to report issues and know how to do so. The increased use of incident management tools allows to capture more reports—and to relay this information to the General Secretariat of SOS Children’s Villages International. Co-workers also gain more confidence that reporting makes a difference in our federation, in our member associations and in our teams. 2016 also saw more external attention on corruption matters in general—and therefore triggered co-worker awareness of such topics—e.g. matters surrounding the world football governing body.

### 2.2 Corruption Cases per Result

In 16 out of the total 29 reported or identified corruption cases from 2016, where the investigation was finalised by December 31, 2016, the allegations were found to be fully or partly true and could therefore be confirmed. In seven 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 six cases which were reported or identified in 2016, the investigations continued into the year 2017.

![Corruption Cases per Result (2016)](image)

<table>
<thead>
<tr>
<th>Cases Confirmed</th>
<th>Cases not Confirmed</th>
<th>Pending Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 2

2016 also saw significant work and progress in regard to corruption cases which were first reported or identified in previous years. Specifically, investigations were finalised in five cases. All five cases were confirmed.
2.3 Corruption Cases per Category

![Corruption Cases per Category (2016)](image)

Table 3
Note: Multi-metering for a single case is possible, e.g., one case can fall into several case categories, such as allegations of fraud and conflict of interest.

In 69% of the overall 29 reported or identified corruption cases in 2016, the allegations were categorised under Fraud/Embezzlement.

In Section 3: Question & Answers, we provide explanations and examples 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 2016. 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.

![Corruption Cases per Programme Affected (2016)](chart)

Table 4
Note: Multi-metering for a single case is possible, e.g., one case can relate to several programmes.

2.5 Corruption Cases per Source

![Corruption Cases per Source (2016)](chart)

Table 5
In 2016, a total of 29 corruption cases were reported or identified. The statistics clearly demonstrate the importance of the existence of both a comprehensive and functioning corruption whistleblowing process and an effective internal audit function: 65% of the suspected corruption cases are reported through tips (from SOS co-workers, external third parties and anonymous reports), while 35% are identified in the course of internal audits.

Of the tips received in 2016 from SOS co-workers, external third parties and anonymous reporters, the option to report anonymously accounts for nearly 47%. This is largely consistent with figures from the previous year. The statistic also shows that the option provided by SOS Children’s Villages to report anonymously, if desired, is essential for comprehensive corruption detection.

Broadly speaking, it is possible that a bias can exist against the acceptance and handling of anonymous reports. The following chart shows the total number and result of anonymously reported corruption cases for the year 2016. In 57% of the anonymously reported cases the allegations were confirmed, and in 43% of the anonymously reported cases the allegations were not confirmed. In addition, of all confirmed corruption cases reported by whistleblowers in 2016 (11 cases), those reported anonymously account for 36% (four cases).

These numbers clearly show the significance and added value of our approach to offer the possibility to report anonymously. Furthermore, they demonstrate that, generally speaking, the option to report anonymously is not misused. The fact that investigators may be unable to obtain the information they need to follow up on anonymous reports may also explain the gap between confirmed cases for “named” (70% in 2016) and “anonymous” reports (43% in 2016) to some extent.

Despite the potential bias against anonymous reports, for the last seven years the percentage of confirmed cases for anonymous reports has stayed at an average of approximately 45%. This demonstrates that anonymous reports are valuable and credible. It confirms our approach to investigate all allegations of corrupt conduct which contain sufficient information to justify an investigation — whether anonymous or not.
2.6 Remediation Efforts and Measures

The benefits of having a sound corruption whistleblowing process are further underlined when looking at the volume of funds recovered. Specifically, in 2016 we recovered € 66,518 which elevates the overall recovered funds from 2010 through 2016 to the amount of € 170,869.

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 always review processes, and, where appropriate, introduce structural enhancements. In addition, we also take appropriate human resources measures, which in 2016 ranged from individual trainings over sensitisation workshops for co-workers to disciplinary warnings and, in severe cases, to termination of employment.

Table 7

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Volume of Funds Recovered (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2016</td>
<td>170,869</td>
</tr>
</tbody>
</table>
3 Questions & Answers

3.1 Why should suspected corruption be reported?

Suspected corruption should be reported because this is one of the *most effective ways to protect our funds* so that they *reach our beneficiaries*. This also contributes to fairness and social peace within the communities we operate.

3.2 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 threat.

*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.
4 Selected Corruption Case Examples

As in the previous year, the following real-life corruption case examples taken from our federation shall make the case processing and performance statistics more tangible. These anonymised cases, which we worked on in 2016, illustrate how reporting, investigation and response is approached and handled.

4.1 Case Example – Fraud/Embezzlement

Allegation:
A National Management Team Member and a Finance co-worker fabricated and submitted fake purchase contracts, cheques, invoices and payment vouchers in order to collect the member association’s money for private purposes.

Investigation:
Through an ad-hoc site visit, comprehensive document reviews and interviews with both the concerned individuals and on-site staff, the allegation was confirmed.

Remediation Measures:
- Immediate dismissal of the concerned individuals, including withdrawal of their signatory powers
- Initiation of legal proceedings against the concerned individuals to recover the funds
- Cross-functional audit to confirm there are no broader structural weaknesses in similar set-ups
- Strengthening of internal control system

4.2 Case Example – Bribery

Allegation:
An external supplier informed the National Director of a member association that they were asked to make personal payments to a co-worker in exchange for being selected as preferred supplier.

Investigation:
The concerned co-worker was interviewed and confessed that he/she asked the external supplier for such personal payment. This was also confirmed by written communication between the external supplier and the concerned co-worker.

Remediation Measures:
The concerned co-worker resigned from his/her job with immediate effect. The National Director informed the external supplier about the investigation result, thanked them for speaking up, and reassured them that SOS does not tolerate any form of corruption.
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