



## VSO Policy on Criminal Practices

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Date of next review: February 2022

Responsible owner: Head of Internal Audit and Risk Management



## **Policy Purpose**

The purpose of this policy is to:

- State the position of VSO on the prevention and detection of criminal practices.
- Set out the VSO strategy for preventing and detecting fraud, corruption and other wrong doing.
- Set out responsibilities and procedures to be followed if criminal practices are detected or suspected.

## **Policy Statement**

VSO will not tolerate any criminal practices, including fraud, corruption or any other wrongdoing.

VSO is committed to upholding and maintaining the highest standards of openness, integrity and accountability both within VSO and in the way we work with volunteers, partners and others.

Our policy is to ensure that neither VSO as an organisation, nor any VSO employee, volunteer, partner, consultant, supplier or trustee is corrupt, is engaging in criminal practices or is benefiting directly or indirectly from corrupt or criminal practices.

Additionally, the policy of VSO is to promote awareness among staff of the risk of criminal practices and corruption, to reiterate the importance of complying with controls aimed at preventing and detecting fraud, and to take prompt and effective action whenever fraud is discovered or suspected.

## **VSO has a zero tolerance policy with regard to non-compliance.**

VSO expects all VSO People to be aware of and to comply with this Policy and to carry out and regularly renew compulsory training on compliance to the required standard.

## **Who does this Policy apply to?**

This Policy applies to all VSO People, i.e. trustees, employees, volunteers, consultants, suppliers, temporary staff, contractors and other people at VSO worldwide. It includes VSO Netherlands, VSO Ireland, VSO USA and all branches and offices of VSO globally.

## **Responsibility of Trustees**

The trustees of VSO are responsible for identifying the major risks to which VSO is exposed and for ensuring that appropriate systems, procedures and controls are in place. In the case of criminal practices, systems and controls should reduce the likelihood of fraud, bribery and corruption occurring and procedures should outline the VSO's response to a suspected or actual criminal practice.

## **Responsibility of Chief Executive, Executive Board and Managers**

The Chief Executive, with the support of all members of the Executive Board, the senior management members and line managers, is responsible for:

- Identifying risks to which systems, operations and procedures are exposed.



- Developing and maintaining effective controls to prevent and detect fraud.
- Ensuring controls are being complied with.

### **Responsibility of staff, volunteers, consultants, suppliers, temporary staff, contractors and other VSO People worldwide.**

All staff (including managers), volunteers, consultants, suppliers, temporary staff, contractors and other people at VSO worldwide have a responsibility to:

- Act with propriety, honesty and integrity at all times.
- Read, understand and comply with this policy in order to actively contribute to the implementation and enforcement of VSO's prevention procedures
- Be aware of the risks of criminal practices and the types of criminal practices that might occur within their area of responsibility.
- Commit to avoiding any activity that might lead to, or suggest, a breach of this policy.
- Report any suspected criminal practices immediately. For the reporting procedures, see the Whistle Blowing Policy.
- Annually complete VSO's online criminal practices training.

### **Sanctions for Non-compliance**

Non-compliance with this policy is a serious disciplinary offence and will result in disciplinary action. Disciplinary action may include dismissal for employees and removal of volunteer status for volunteers and trustees. Non-compliance may result in termination of contract with partner organisations, donors, suppliers or consultants.

### **Reporting of Non Compliance**

All VSO People who become aware of, or who suspect that, any individual working with or for VSO is in breach of this Policy, have a duty to report this immediately in accordance with VSO's Whistle-Blowing Policy.

All VSO People must be extra vigilant, especially in high-risk situations, where non-compliance with this policy is more likely to occur (i.e. in the context of higher risk countries, sectors, transactions, opportunities or relationships).

### **Accessibility**

VSO's International Board and Executive Board are committed to ensuring that this Policy is accessible, effectively implemented and enforced.

All VSO staff, volunteers and trustees will have access to this policy on induction. All VSO People can access an electronic copy, via our international website and intranet. Hard copy, large print, translated and Braille copies will be made available upon request.



VSO People requiring assistance or advice in reviewing or understanding any part of this Policy, or who have any questions or concerns regarding its implementation or enforcement, or any suggestions for improvement, should contact the Head of Internal Audit and Risk Management or the Company Secretary.

## Types of Criminal Practices:

### 1 - Bribery and Corruption

Bribery is a criminal offence in most countries in which VSO operates and penalties can be severe. In the UK, where VSO is registered for legal purposes, the Bribery Act 2010 not only makes bribery and corruption illegal, but will also hold VSO liable for failing to implement adequate procedures to prevent such acts no matter where in the world the act takes place.

#### What is Bribery and Corruption?

Bribery is the offer, promise, giving, demanding or acceptance of an advantage that is intended to encourage you to take an action which is illegal, unethical or a breach of trust. Bribery means giving or receiving a reward that has not been earned in order to influence someone's behaviour. One common form of bribery is a kickback.

Corruption is the misuse of your entrusted power for private gain.

Acts of bribery or corruption are designed to influence people to act dishonestly.

#### Implications for VSO

In accordance with the UK Bribery Act, anyone with a close connection with VSO could be tried in any UK court over crimes of bribery committed anywhere in the world in the name of VSO. Individuals working with (or for) VSO in countries other than the UK, would also be subject to sanctions for offences under relevant local laws.

#### VSO's principles, investigation and sanctions for non-compliance

VSO is committed to conducting business honestly without corrupt practices or acts of bribery, ensuring adherence to the highest legal and ethical standards.

The offering, promising, giving, requesting, agreeing to receive or accepting of bribes (i.e. a financial or other advantage to or from another person) or kickbacks in any form **IS PROHIBITED**.

VSO People abusing their position for personal and/or financial gain **IS PROHIBITED**.

Any employee or volunteer suspected of bribery will be investigated in line with VSO's Disciplinary Policy or its Volunteer Review process.

The bribery of any person in order to obtain (or retain) business or an advantage for VSO is specifically outlawed under the UK Bribery Act and **IS PROHIBITED**.

Donations, contributions, voluntary services and/or any charitable assistance will not be accepted by VSO where it is known, or reasonably suspected, that they involve an act of bribery or corruption, or appear in any way linked to unethical conduct.



All relationships with other charitable organisations, donors or voluntary services will be conducted in a transparent and open manner. VSO's Ethical Policy on Resource Partnerships has further guidance.

The acceptance of gifts and/or advantages (financial or otherwise) which could (or even perceived to) lead to bribery or corruption **IS PROHIBITED**.

### **Facilitation Payments**

In many countries, it is customary business practice to make payments or gifts of small value to government officials in order to speed up or facilitate a routine action or process. These payments are called facilitation payments and are strictly **prohibited**.

VSO takes the view that all facilitation payments are illegal within the UK as well as within most countries in which we operate. The UK Bribery Act 2010 makes no distinction between facilitation payments and bribes – regardless of size or local cultural expectations, even if that is “how business is done here”.

The offering of bribes or facilitation payments in order to obtain favours is **strictly prohibited**, whether the beneficiary is offering the bribe for personal benefit or in order to obtain a benefit for VSO.

#### **One exception - Payments made to safeguard life and liberty:**

Volunteers and employees may rarely find themselves in a position where there is no alternative but to make payments to protect against life, limb and liberty. Examples may include monies paid by volunteers and/or employees in order to bypass ad hoc roadblocks and/or to bail themselves out of unwarranted custody. In such circumstances, wherever possible, representations should be made to the relevant authorities **and** all such incidents must be reported fully and immediately to VSO using the standard Incident, reporting mechanisms.

VSO operates an up-to-date system to keep a record of all such payments, including the amount and currency of any such payment, the exact location of and date on which the payment was made, the identity of the payer and recipient, a summary of the circumstances surrounding the payment and the reasons for making it, and any additional documentation in support of the necessity to make such a payment.

### **Gifts, Entertainment and Hospitality**

It is VSO's practice not to accept gifts unless refusal causes offence. In these cases, physical gifts should be given to an HR representative for appropriate disposal without causing offence to the donor.

Some activities will fall within the bounds of normal business practice and are acceptable provided they fall within reasonable bounds of value and occurrence.

All gifts of significant value should be reported and recorded. A variety of factors such as customs, culture and expectations may influence the level of acceptability. If staff feel uncertain at any time regarding cultural acceptability of gifts, entertainment or hospitality, they should consult their line Manager or HR representative.

The provision of gifts and hospitality by VSO should also be reasonable in terms of value and occurrence.

### **Contributions to Political Parties**



Making direct or indirect contributions to political parties, organisations, or individuals engaged in politics as a way of obtaining advantage in operational transactions is strictly prohibited. **Such payments are forbidden under VSO's Articles and under charity law.**

All existing and prospective suppliers, contractors and subcontractors shall be required to sign contracts with VSO containing anti-bribery terms and conditions. These terms and conditions shall be subject to periodic review and renewal and must undergo integrity and accountability checks as well as anti-terror checks (also see VSO's procurement policy). For the avoidance of doubt, suppliers, contractors and subcontractors that are known to pay bribes to obtain services, or accept bribes in return for granting commercial favours, **must not be deployed** (the Procurement Policy provides more information).

All existing and prospective partner organisations must undergo integrity and accountability checks. As stated above, VSO will seek only to do business with those who commit to doing business without bribery.

### Your Reporting Responsibilities

All VSO People have the responsibility to help detect, prevent and report instances not only of bribery, but also of any other suspicious activity or wrongdoing.

VSO is absolutely committed to ensuring that all staff and volunteers have a safe, reliable, and confidential way of reporting any suspicious activity. In the event of a concern regarding a suspected instance of bribery or corruption, staff and volunteers (as highlighted in the whistle blowing policy) can contact their own Line Manager or Executive Board Member.

If this is not practical, contact the Head of Internal Audit and Risk Management or report your concerns on the dedicated VSO whistle-blowing email address: [whistleblowing@vsoint.org](mailto:whistleblowing@vsoint.org)

## 2 – Fraud and Theft

### Policy

VSO has zero tolerance of fraud of any type or in any circumstances, whether carried out by trustees, volunteers, staff, contractors, partners or beneficiaries. Fraud against VSO depletes funds intended for the accomplishment of programme delivery, undermines effective functioning and jeopardises sustainable development by diverting donor contributions.

### Definition

Fraud covers acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. It usually involves depriving someone of something by deceit or obtaining something by deceit, which might either be straight theft, misuse of funds or other resources, or more complicated crimes such as false accounting and the supply of false information. Fraud is not restricted to monetary or material benefits but includes intangibles such as status and information.

### Implications for VSO

Fraud and theft involve the loss or misuse of assets belonging to VSO and poses a threat to VSO's reputation



amongst donors, regulatory bodies, volunteers, governments, partners and other supporters.

VSO is particularly vulnerable to such dishonesty because of the effect not only of the loss, but bad publicity would have on our ability to raise funds and recruit volunteers and staff. Serious fraud or theft can literally ruin a charity.

VSO is also vulnerable to fraud and theft arising from the actions of those unconnected with VSO, for example, if someone misrepresents themselves as acting on behalf of VSO.

## Reporting

Aside from any criminal consequences which may ensue as a result of acts of fraud and/or theft, VSO is obliged to report to the UK Charity Commission any misappropriation of its assets by staff and/or other connected people or bodies.

As a matter of good practice, any serious incident that has resulted or could result in a significant loss of funds will be reported to the Charity Commission immediately, not just on completion of the annual return.

Any misappropriation will also be reported to VSO's donor, in accordance with each donor's specific rules and regulations.

## Guidelines and principles

VSO's Finance Manual contains details of our appropriate and effective control framework, including adequate accounting, auditing and approval of expenditure.

The Global Procurement Policy ensures VSO has a transparent and accountable process to ensure funds are used efficiently to deliver the maximum benefit, to minimise the risk of fraudulent activities and accidental errors and to ensure compliance with donors.

Fraud detection and prevention is the responsibility of everybody in VSO, not just leadership and management. All employees, volunteers and trustees, as well as any other individuals working with or for VSO, are encouraged to be vigilant for signs of fraud or theft within VSO.

Recognising that members of staff and volunteers are usually the first to notice fraudulent activity, VSO's Whistle-blowing Policy and processes encourage employees, volunteers, partners and anyone involved with VSO to report any concerns they have without fear of victimisation, subsequent discrimination or disadvantage. More details can be found in the Whistle-blowing Policy.

All reported suspicions of fraud or theft by staff or volunteers will be investigated in line with VSO's Disciplinary Policy, or its Volunteer Status Review process respectively. Both of these aim to deal with matters sensitively and with due respect for the privacy of those involved.

It is recognized that fraud has a different legal standing in each country in which VSO operates and therefore the legal response to fraud must reflect this local context. Notwithstanding, any person (employee or otherwise) or organization implicated in a fraud should be dealt with through the local legal system where appropriate.

Employees, volunteers and trustees must not investigate their own suspicions as this could result in either the destruction or contamination of evidence or putting their own safety at risk.



People responding to a reported suspicion of fraud or theft should:

- take reasonable steps to stop the fraud or theft being completed, where it is safe to do so;
- take immediate steps to prevent a repeat occurrence in the near future;
- notify the Head of Internal Audit and Risk Management directly of any financial losses incurred: and
- promptly report the fraud or theft, wherever it occurs in the world, to the local police unless there are strong reasons not to do so. Any fraud or theft occurring in the UK will always be reported promptly to the UK police.

In compliance with the VSO Global Procurement Policy, contracts with any third parties that are found to have been directly and willingly involved in fraudulent activity concerning VSO will be terminated.

### 3 - Money Laundering

#### Definition

Money Laundering is the process by which the proceeds of crime and the true ownership of those proceeds are changed, so that the proceeds appear to originate from a legitimate source. Such cash proceeds can then be used by criminals, such as organized crime syndicates and terrorist organisations, in the legal economy. How this is done varies from scheme to scheme, but there are common factors to each method:

- the organization needs to conceal the true origins of the proceeds of crime;
- it needs to control (or at least predict) the process whereby that money is converted into “clean” or legal money; and
- it needs to ensure that it can recover the funds at the end of the process, either in cash form or in the form of any other asset.

It is very important to ensure that VSO does not commit any money laundering offences. This would cause significant damage to VSO's reputation. Particular care needs to be taken to guard against committing the offences of failure to disclose knowledge or suspicion of money laundering (or terrorist financing – see below) and of "tipping off".

Consider the following transaction in the light of the above:

A criminal organisation wants to transfer funds obtained through illegal means to a terrorist organisation operating in a foreign country. This terrorist organisation uses a school as a front. This school operates in a community in which VSO is operating.

An anonymous donation to VSO is given on the understanding that this money will be donated to this school, in order to fund the purchase of school resources.

The funds are processed and transferred accordingly. They are paid over to the school as “clean” money from a reputable NGO and subsequently passed on to the terrorist organisation, which uses these funds for the purchase of arms.





Although the above scenario may seem far-fetched, it represents a low risk mechanism by which criminals can launder small quantities of cash; the money launderer avoids using international financial institutions, which are most heavily regulated by global money laundering regulations, and can effect risk-free cross border transfers of cash, which are also subject to regulations. The only risk to the criminal is that the charity returns the money due to being unhappy with the terms of the donation, in which case the criminal could simply move on and attempt the same transaction with another charity.

### **Implications for VSO**

VSO and its trustees could be prosecuted under the UK Proceeds of Crime Act 2002 (or any of the relevant terrorism legislation as discussed below) or other money laundering regulations (as amended from time to time) if VSO accepts a donation or loan which turns out to be the proceeds of a crime, and officers of VSO suspected that the funds represented the proceeds of crime.

Much recent legislation throughout the world (for example, the Money Laundering Regulations 2007) aims to tackle large scale money laundering and for this reason places great responsibilities on international financial institutions and other regulatory bodies to monitor high value transactions and to check the identity of their clients.

The Charity Commission has warned that unsolicited donations should be treated as suspicious, especially if VSO is unable to satisfy itself about the credentials of the people involved or the propriety of the donation. Accordingly, the Charity Commission has recommended a number of steps that charities should take to manage this risk, which have been incorporated into the guidance below.

Implications of inadvertently being used by a terrorist organisation to launder money are discussed below.

### **Vulnerability**

VSO is particularly vulnerable to low level money laundering. This is because VSO often accepts donations from anonymous sources, process such donations along with money received from identifiable sources, sends the money abroad, and release it, by ways of grants to partners, into the local economy. In this way, proceeds of crime can be transformed into "clean" money.

VSO is especially vulnerable at the point of receipt but is also vulnerable at the point of expenditure. More information of high-risk donations, for both fundraising departments and country offices can be found in VSO's Ethical Fundraising Policy.

### **Guidance and principles**

VSO has a commitment to ensure that all donations are from donors whose ethics and values are compatible with VSO's. This section of the Policy should be read in conjunction with VSO's Ethical Fundraising Policy.

In relation to preventing involvement with terrorist organisations, VSO will follow the 'know your beneficiaries and partners' rule, as recommended by the Financial Action Task Force. This means that VSO will make best efforts to confirm the identity, credentials and good standing of its beneficiaries and partners by using integrity and accountability checklists.

Suspicions of attempted money laundering must be reported to the VSO Whistle-blowing address: [whistleblowing@vsoint.org](mailto:whistleblowing@vsoint.org). It will then be reported to the National Criminal Intelligence Service (NCIS) and to the Charity Commission without "tipping off" the suspected money launderer, which is an offence in itself.



It is important to ensure that VSO's does not "tip-off" a donor (whether deliberately or inadvertently) where they suspect he/she/it may be in any way involved in money laundering. Any suspicions must, as stated above, be reported immediately and discreetly to the relevant MLRO and then to the Whistle-blowing address.

Refused donations will not be processed and will be returned to the donor in their original form (cash / unbanked cheque etc.) without alerting the donor to VSO's money laundering suspicions (again, to avoid committing a "tipping off" offence).

In the case of a concern within a Country Programme, not affecting a Country Office, the matter must be reported through the Whistle-blowing address: [whistleblowing@vsoint.org](mailto:whistleblowing@vsoint.org)

If there are concerns that these processes are not being followed, concerned parties should inform the Whistle-blowing address: [whistleblowing@vsoint.org](mailto:whistleblowing@vsoint.org)

## 4 – Involvement with terrorist organisations

### Definition

No one definition of terrorism has gained international acceptance. However, for the purpose of this policy, terrorism can be defined as the unlawful use or threatened use of force or violence by a person or an organized group against people or property with the intention of intimidating or coercing societies or governments, often for ideological or political reasons.

### Implications for VSO

VSO is wholly committed to not fund, or receive funds, from terrorist individuals or organisations and has introduced and embedded robust controls to ensure that we are taking steps to prevent any engagement with terrorism.

The scope of most national counter-terrorism laws is largely restricted to the provision of money or other assets to terrorist organisations. However, under the UK Terrorism Act 2000, it is also an offence not to disclose information that is received during the course of business relating to money or other property being used for the purpose of terrorism (anywhere in the world) to the police in the UK. Further, it is an offence for any individual to assist, raise money for, or send money to a proscribed (terrorist) organisation, or anyone who is a member of one.

The UK Charities Commission has warned that it considers formal or informal links with identified terrorist organisations unacceptable, whether or not money, assets or services are provided, and whether or not there is an intention to show support for the aims and methods of such organisations.

Inadvertent involvement or association with terrorist organisations, or members of such organisations, could have a highly damaging impact on VSO's reputation internationally and could result in legal action being taken against VSO and any VSO people involved.

### Guidelines and Principles

You are referred to the guidelines in the section on Money Laundering (above). These cover the basic controls that we should exercise over the acceptance of donations either in the UK or in a country in which we operate, and the allocation of these funds within a country.



VSO will follow the ‘know your beneficiaries and partners’ rule, as recommended by the Financial Action Task Force. This means that VSO will make best efforts to confirm the identity, credentials and good standing of its partners.

Before entering into relationships with, or transferring money to partners and other third parties, and at the time of annual partnership reviews, the Country Office must perform a search of the HM Treasury list of identified organisations to confirm the organisation or individual is not listed there or on any other major sanctions. This must be done by submitting a Compliance Assist check and receiving no matches for any of the names searched.

VSO will not contract with, provide funds for, or assist organisations that are known or suspected to act as a front for such identified organisations.

If links between an existing partner and an identified organisation or a front for an identified organisation are suspected, interaction with that partner will immediately cease. In these circumstances, the Whistle-blowing address should be notified ([whistleblowing@vsoint.org](mailto:whistleblowing@vsoint.org)) and further investigations on the partner should be carried out.

## 5 – Financial Crime

VSO is proud of the work it undertakes around the world and is committed to ensuring highest standards are implemented in the prevention of financial crime across the regions within which it operates.

### Definitions

Financial crime is generally defined as crime that takes unlawful ownership of property belonging to another person, for one’s own personal use and benefit. Financial crimes may involve money laundering, terrorist financing, illegal dealings where financial sanctions are applicable, illegal export wherein export control provisions apply, bribery and corruption and fraud.

### Guidelines and Principles

Money laundering, terrorist financing, illegal dealings where financial sanctions are applicable, bribery and corruption and fraud are all dealt with in the sections above.

In terms of financial crime of tax evasion, the UK Criminal Finances Act 2017 creates two offences in relation to facilitation of tax evasion:

- Failure to prevent facilitation of tax evasion in the UK, and
- Failure to prevent facilitation of foreign tax evasion where the evasion is a crime, both in that foreign country (and all its relevant jurisdictions) and would also be a crime under English law.

This therefore could impact VSO’s operations in any country and jurisdiction in which it operates.

For more information and guidance, please see the VSO Taxation Policy.

The Whistle-Blowing hotline [whistleblowing@vsoint.org](mailto:whistleblowing@vsoint.org) can also be used to report concerns about money laundering and facilitation of tax evasion.



### **Changes to this Document**

Authority to alter the Global Criminal Practices Policy rests with the Head of Internal Audit and Risk Management and final approval will be sought from the International Board.

The Global Criminal Practices Policy will be reviewed annually and updated when required, and the availability of updated versions will be communicated to staff and volunteers. It is the individual member's responsibility to ensure they are complying with the most current version of the policy.