



**Ethics and Compliance Unit**  
**FY 2020 Annual Report**  
(February 2021)



**International Rescue Committee  
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## **OVERVIEW**

The IRC's Ethics and Compliance Unit (ECU), created in 2016, ensures that the IRC integrates a culture of integrity, prevention, and risk identification and mitigation at all levels of the organization and in accordance with the IRC Way, our values and the law. To do this, the ECU works collaboratively with Crisis Response, Recovery, and Development (CRRD), Resettlement, Asylum and Integration (RAI), organizational units and headquarters (HQ).

The ECU is responsible for:

- Ensuring that IRC integrates a culture of ethics, integrity and compliance into its business practices at all levels of the organization, in accordance with the IRC's Code of Conduct ("The IRC Way"), our values, policies, national laws and regulations
- Training and communications programs to raise awareness and prevent potential misconduct
- IRC's Code of Conduct and annual training
- Providing advice on ethics and compliance issues
- Development and Implementation of a global Enterprise Risk Management Process (ERM) for the IRC
- Fraud and Corruption Prevention
- Managing IRC's Hotline and conducting internal investigations of potential violations of IRC's Code of Conduct and policies, laws or regulations and material failures to meet obligations under agreements
- Ensuring appropriate remediation is undertaken and control gaps corrected when identified

The ECU is headed by IRC's Chief Ethics and Compliance Officer (CECO), who reports directly to the IRC General Counsel and the Audit Committee of the Board of Directors. The ECU Org Chart can be found [here](#).

## **CODE OF CONDUCT ("The IRC Way")**

The IRC's Code of Conduct, [The IRC Way: Standards for Professional Conduct](#), was updated in December 2017. The IRC values at the heart of *The IRC Way* are Integrity, Accountability, Service, and Equality. The Code addresses how we honor our commitments to those who are impacted by our work: our clients, colleagues, donors, suppliers, and partners - and provides practical advice and scenarios to help employees make good decisions. Staff are required to certify their

understanding of and intention to comply with the Code each year. Included throughout the Code is information on how to report suspected misconduct.

Annually, all IRC staff attend a compulsory in-person training (“IRC Way Day”) on the IRC Code of Conduct to refresh and renew our knowledge of and commitment to the IRC Way, our Values, Principles, and Standards. Due to the restrictions imposed by COVID-19 and the many demands on staff and resources this year it was decided that the compulsory training would not be conducted in 2020.

Since crisis can provide opportunity, we have re-imagined IRC Way Day. Due to the need for social distancing, rather than an “IRC Way Day,” where teams come together in person, for 2021 our events will begin in Q2 2021 with a blended approach that will include:

- An online training through IRC’s Rescue Academy on Kaya
- Toolkits on focus topics containing materials, information and scenarios that can be adapted to local context and situations for use by local leadership at staff meetings for more in-depth follow-on discussions
- A series of easy to read one-page information sheets on IRC Way topics distributed to all staff, and translated into all IRC languages
- Appointment of IRC Way Ambassadors as our Code of Conduct Champions at IRC locations globally.

## **ENTERPRISE RISK MANAGEMENT**

The IRC’s Enterprise Risk Management (ERM) approach is led by the Senior Director of Enterprise Risk Management. ERM represents a cultural transition for the Organization, as we adopt a common approach to risk management, using an enterprise standard aligned to global best practices, to methodically identify and address challenges and opportunities related to the Organization’s operations and objectives. ERM forms an essential element of the strategic management of the Organization and will be embedded in the ongoing activities of the IRC at all levels.

Following a collaborative consultation and design process, the ERM approach was approved in December 2019, with plans to initially pilot the implementation of ERM in early 2020 at two locations, namely one location for CRRD (Crisis Response, Recovery & Development), and another location for RAI (Resettlement, Asylum & Integration). Each implementation was to involve an objective centric approach (measuring risk against objectives) to risk management, using Risk Report Cards to identify, assess and manage risk for programs, operations and office/country level goals. An important goal of the implementation is to integrate the process into already existing meetings taking a ‘light touch’ approach.

Midway through the implementation of the Salt Lake City pilot and prior to the Kenya pilot, COVID-19 struck and we were forced to adapt our plans and timelines accordingly. Despite this, during 2020, the Senior Director of ERM, with the support of Senior Leadership, made significant

progress in furthering the integration of both the process and methodology, in field locations, during an eight-month pilot period.

The primary goal of these pilot implementations was to allow management to experience the process and methodology, first-hand, and to provide feedback to ensure that our approach met the commitment to be both high value and light touch in approach.

### ***RAI***

Our Salt Lake City pilot focused on objectives at the office level and the underlying sub-objectives for the programs and operations. With strong support from both the Regional Director and Executive Director, risk was identified and assessed in relation to Operational and Programmatic objectives and subsequently reviewed and updated during regularly scheduled management team meetings. Major issues could be signaled up to the Regional Director at the discretion of the Salt Lake City office Executive Director. Should the Regional Director require support from Headquarters, then risk could be further escalated to the IRC's Risk and Compliance Committee.

### ***CRRD***

Internationally, our focus was extended to conducting our pilot exercise at the regional management level, rather than just focusing upon a single country. While COVID-19 has presented numerous challenges this year, it also provided us with the opportunity to identify and assess risk, in relation to the IRC's three COVID priorities, namely, *Business Continuity*, *Duty of Care* and *Program Support*. Initially, Regional Management reviewed and updated their regional Risk Report Cards twice monthly, with some regions leveraging ERM for discussion more regularly particularly in regions exhibiting a high degree of dynamic shift in the operating context. Regional risks requiring escalation or priority monitoring, were aggregated up into the CRRD Department Risk Report Card, to afford management the ability to provide additional support and coordination, where appropriate, and as required raise cross-cutting issues with the Risk and Compliance Committee. During the pilot period the Risk and Compliance Committee were able to highlight a number of cross cutting issues. Following identification of these issues, risk owners were identified, concrete action plans developed and delivered to appropriately mitigate the risk. These risks are monitored until the risk is controlled and de-escalated.

### ***Next Steps***

We will gather pilot feedback, from participants in Q1 2021, and make appropriate adjustments along with an implementation plan for Phase II, set to begin in Q2 2021. This second phase will focus ERM roll out across the IRC at the regional level in alignment with Delivery Letter objectives provided by the President to his direct reports. At the conclusion of Phase II, the organization will have the ability to reliably report on regional risk in a consistent and concise manner, and consistently include risk in the decision-making process. While ERM integration below the Regional level will be voluntary in 2021, the goal is to ensure that ERM is fully embedded at the Country and US office levels and our European offices by the end of 2022.

Finally, to ensure compatibility with core Organizational initiatives such as IRC's Strategy 100, we continue to work closely with the Strategy team to embed ERM into redesigned planning, processes and procedures.

## **FRAUD AND CORRUPTION PREVENTION**

The International Rescue Committee's anti-fraud program focuses on prevention, detection, remediation and risk management. Currently fraud monitoring is shared by the field and headquarters to ensure the development of global policies and procedures, implementation and monitoring at the field level, and that gaps, enhancements, and lessons learned are shared across the organization.

This position was created in 2018. The current Director, who joined the IRC in October 2019, reports into the CECO. The Director works to ensure that accountability for fraud and corruption prevention is shared across the organization, and that there is a process in place to learn from past issues, undertake continuous improvement plans and develop a commonsense approach to fraud management and risk mitigation.

A three-year plan was developed focused on awareness raising, strengthening capacity across the organization and working with in-country compliance teams to undertake fraud prevention work. Much of our work in 2020 was accommodated to the realities of remote working and learning due to the COVID-19 pandemic. To date the following activities have been undertaken, and will continue as part of the three-year plan:

- ❖ Strengthening systems through a review of existing related policies with appropriate updates as needed
- ❖ Remote Fraud Awareness Trainings for Senior Management Teams (SMT) in both RAI and CRRD. In the CRRD regions, we will begin with Asia, MENA and Great Lakes. This is part of a phased approach that includes:
  - Phase 1: Fraud Awareness Training for SMT
  - Phase 2: Targeted Fraud Prevention conversations and sessions with key in-country departments
  - Phase 3: Embedding fraud prevention into business as usual through regular check ins, conversations, and a fraud prevention action plan
- ❖ Monthly Compliance Coordinator Meetings in collaboration with the CRRD Director of Internal Controls for information sharing and capacity building with the goal of creating a community of best practice

### ***COVID-19 Fraud Prevention Oversight and Working Group***

With the onset of COVID-19, ECU in partnership with CRRD and RAI created the COVID-19 Fraud Prevention Oversight and Working Group in late May 2020. This Cross-Functional Group with representation from CRRD, RAI, Finance, Internal Audit, ECU, Awards Management Unit (AMU), Economic Recovery & Development Unit (ERD) and Global Supply Chain was created to ensure that appropriate strategic oversight, controls and monitoring was in place related to potential fraud and corruption risks as a result of rapid scale-up and operational adaptations to policies and processes during the COVID-19 crisis. The Oversight Group met six times between May 2020 and December 2020 and worked closely with CRRD, RAI and operations to provide support. Having a cross functional team regularly meet to focus upon potential or actual fraud

issues as we were engaged in this crisis provided the IRC with additional oversight and monitoring in real time as we were engaged in this crisis.

#### The Oversight and Working Group:

- Ensured that there was a centrally located list of operational adaptations during COVID-19, that included owners, timeframes for implementation and locations where implemented
- Reviewed existing operational adaptations to ensure they were consistent and aligned
- Members participated in calls with field, functional, and other operational teams to provide and collect information on operational adaptations and their impact
- Regularly shared relevant information cross-functionally
- Reviewed relevant Global Supply Chain Quality Assurance information and the use of new vendors
- Provided short, simple field guidance as appropriate

## INVESTIGATIONS AND REMEDIATION

The ECU has a comprehensive and integrated framework for handling allegations of misconduct including fraud, corruption, safeguarding, and other alleged violations of the *IRC Way*, by a dedicated, centralized and independent investigation division within the ECU. The Senior Director of Investigations supervises eight experienced investigators; and two case officers, who oversee the IRC hotline, case intake process and donor notifications.

The IRC maintains a whistleblower hotline and other mechanisms to provide multiple pathways for raising concerns and reporting potential misconduct, including anonymous reporting through its IRC Ethics Hotline. In 2016, the IRC centralized the reporting of all potential misconduct into the ECU. The ECU can now consolidate, analyze, investigate, and remediate issues with an enterprise-wide view of potential control and program gaps and opportunities.

IRC's reporting system is designed to provide employees with multiple channels to report concerns (Ethics Hotline, ECU integrity email, HR, Managers, technical advisors), while consolidating all issues in the IRC's Ethics Hotline and case management system for review and investigation, as appropriate. Information on how to report is available internally on IRC's Intranet and also externally on [IRC's public website](#).

To reinforce the importance of Reporting, in November 2018, the IRC rolled out its "Raise Concerns" Campaign as a follow on to the IRC's annual IRC Way Day (Code of Conduct) training. As a part of that initiative IRC's internal portal page and IRC's external webpage were updated to ensure easier accessibility to key information and the IRC Ethics Hotline. Employee cards were provided and translated into 21 languages. Every IRC employee was provided with a [card](#) in their own language advising them on how and when to report misconduct.

### ***New ECU Investigation Guidelines (April 2020)***

To provide more transparency for staff and donors on the IRC's internal investigation process, in April 2020 ECU authored and published "ECU Investigation Guidelines," available in English, French, Spanish and Arabic. They are intended for use by IRC staff to understand how the ECU conducts investigations into allegations of misconduct relating to fraud, waste, bribery, corruption, beneficiary exploitation and abuse, harassment and other violations of the IRC Way; and the staff obligations to uphold the IRC Way and cooperate with internal investigations. The Guidelines are not intended to provide comprehensive advice on ECU's procedures and policies. Because almost one-half (50%) of all new matters received relate to Employee Relations issues and are referred to Human Resources (HR), the guidelines also apply to the management of those referred matters that require HR led investigations.

### ***Building Investigation Capacity***

Due to COVID-19 and the demands on staff and resources to address, the Investigation Team's planned Investigation Training for designated field staff to support the team on investigations was postponed. That in person training was developed in 2018-19 and will be resumed once circumstances and resources permit. In FY21 ECU will review the existing Investigation training with the objective of transferring it to an online investigation training course for Country Program staff supporting investigations.

Due to the continued increase in reported new matters since the Raise Concerns campaign in 2018, in FY20 ECU undertook a capacity assessment of the current investigation resources. The capacity assessment was shared with IRC Senior Leadership and resulted in an increase in ECU funding to allow for the hire of three additional investigation staff to cover IRC's three regions in Africa. In FY20, 58% of all new matters investigated by ECU were in Africa. The volume of cases in the three regions of Africa is reflective of the fact that the majority of IRC's programming is in these regions. These additional resources will assist in progressing investigations more quickly and appropriately managing risk. More detail on the regional breakdown of ECU FY20 cases is included below.

The ECU continues to dedicate resources to further develop its expertise in the management and investigation of safeguarding cases. In FY20 the Senior Director of Investigations designated one of her team to take on the responsibility as the investigation safeguarding lead for ECU. We have assessed that having an investigation safeguarding lead has been beneficial for the investigation team, who all conduct safeguarding investigations, and provides additional support to Country Programs and wider engagement with the organization and external stakeholders on safeguarding investigation best practices.

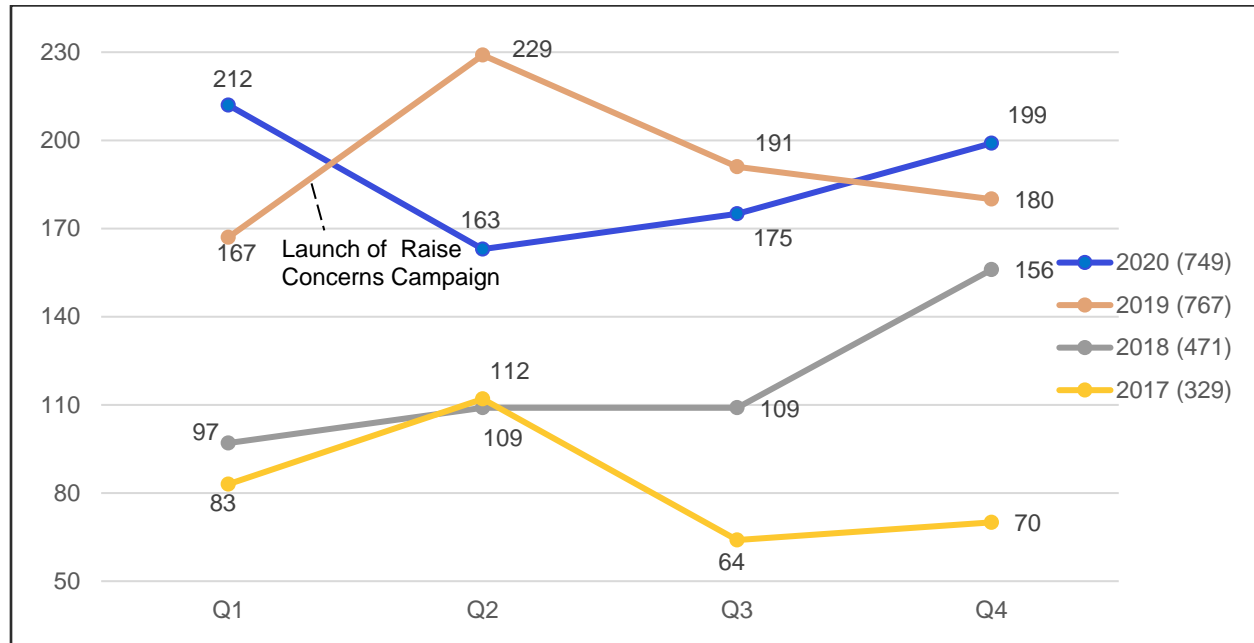
### ***Investigation Statistics for FY2020***

The number of allegations received in FY20 was similar to the 2019 numbers but was particularly challenging to manage during FY20 due to the significant impact of Covid-19 on investigation resources and conducting investigations remotely.

In FY20, there were 749 new matters reported, which is similar to the figures for FY19. However, the FY20 figures have not dropped below the pre-Raise Concerns figures from November 2018.

Not every matter received by ECU resulted in an investigation. Some matters received were inquiries, did not allege misconduct, or raised issues more appropriately reviewed and considered by Human Resources or another Organizational Unit.

**All Matters Received by ECU FY2017 through FY2020 by Quarter <sup>1</sup>**



The 749 matters were assigned to ECU or HR for further review and action based upon the issues raised:

- ECU (404 of new matters) and HR (345 of new matters). ECU holds a weekly case intake meeting to review all new matters reported, chaired by the Senior Director of Investigations. Any Employee Relations matters reported, which rest outside ECU’s remit to investigate, are referred to Global Human Resources.
- 345 new matters were referred to Global HR and are discussed in a weekly HR triage meeting with the Chief Human Resources Officer, Director Global Employee Relations and Senior Director of Investigations. Case Intake and HR triage meetings have continued throughout the Covid-19 pandemic.

Further details on the process are outlined in the ECU Investigation Guidelines.

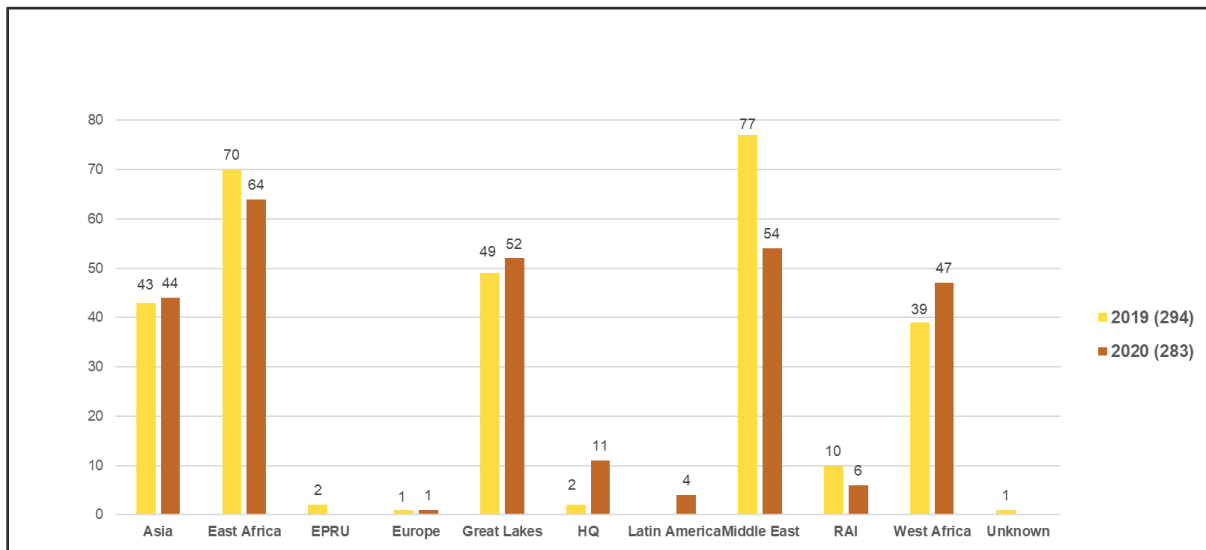
Of the 404 new matters handled by ECU, 283 of them resulted in opening a new ECU investigation in FY20. For the last quarter of 2020 ending September 30, 2020, ECU received 199 new matters, which is one of the highest numbers of new matters received in one quarter since ECU was formed in 2016.

<sup>1</sup> Matters include all reports, inquiries and allegations of misconduct received by the ECU. Not all matters received result in an investigation.



The regional breakdown of the 283 investigations in FY20 is depicted below. One should not infer that a higher number of cases indicates that there are more problems in a certain region. Instead the number of cases may indicate: higher concentration of staff and programming; a healthy reporting environment; or presence of Country Program Compliance Coordinators that work with teams on compliance issues.

### ECU Investigations by Region – FY2019 and FY2020



There is little difference between the regional breakdown of new ECU investigations in 2019 and 2020. The regions of Great Lakes, East Africa and West Africa continue to have the largest number of investigations representing 58% of new investigations opened in FY 20. This is not surprising considering that the majority of IRC programming occurs in these regions.

### ***Fiscal Integrity Investigations***<sup>2</sup>

The largest category for new investigations opened was Fiscal Integrity, representing 55% of all new investigations. This is an increase from 45% in FY19. The misappropriation/misuse of IRC assets accounts for 62% of all new Fiscal Integrity investigations.

East Africa reported the most allegations of Fiscal Integrity that resulted in investigations, the same as in FY19. This demonstrates a healthy reporting environment and is not necessarily an indication that there is more fraud occurring in the region.

### ***Safeguarding Investigations***

The second largest category of investigations opened during FY20 was safeguarding matters, representing 36% of new investigations opened by ECU. This includes both the sexual and economic exploitation of clients, and some staff sexual harassment matters. The number of new

<sup>2</sup> Fiscal Integrity includes: bribery of government officials, procurement fraud/commercial bribery. misappropriation/misuse of assets, auditing/accounting misconduct.

cases is slightly less than FY19, when 40% of new ECU investigations related to safeguarding matters. For safeguarding matters, ECU saw a small increase in reporting for child safeguarding matters. The majority of sexual harassment investigations are managed by HR, with the Director of Global Employee Relations leading.

Great Lakes, East Africa and Middle East reported the highest number of safeguarding matters, consistent with FY19.

### ***Case Closures and Outcomes***

ECU closed 268 investigations in FY20, resulting in a final open caseload of 230 at the end of FY20. Overall, more than 33% of ECU investigations were closed in less than 90 days, which is an increase from FY19. Nearly half of all investigations were completed in less than 180 days. This was achieved despite the impact of Covid-19 on progressing investigations.

ECU Cases Open end of FY2019	ECU Cases Opened FY2020	ECU Cases Closed FY2020	ECU Cases Open end of FY2020
228	283	268	230 <sup>3</sup>

In its final investigation reports ECU makes recommendations, as appropriate, that may address: risk mitigation measures, recovery of losses, disciplinary action for consideration, potential referrals to national authorities where criminal conduct has been identified, and potential changes to policies, procedures and operational control weaknesses. Relevant CRRD/RAI/HQ senior management make the final decisions on disciplinary and risk mitigation actions to be taken as a result of the Report findings, consulting with ECU as necessary.

ECU works with Global Finance to confirm any assessed losses at the end of an investigation and before the final investigation report is shared with the relevant donor. Global Finance then works with the relevant CRRD or RAI location to ensure that any losses are not charged to the donor.

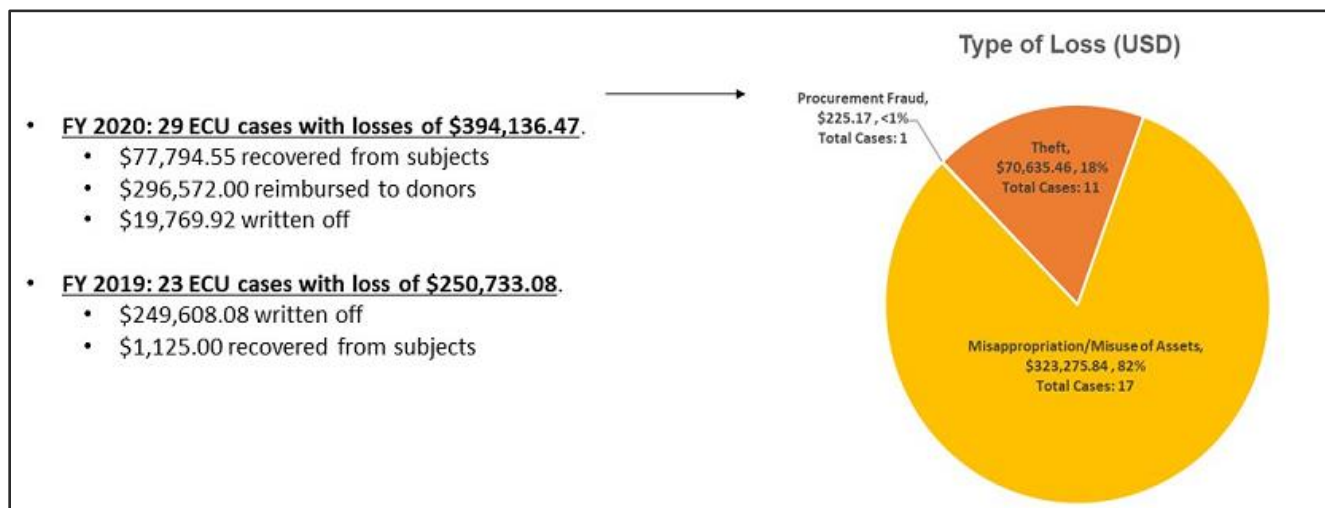
#### *(1) Financial Loss*

Out of the 268 closed cases in FY20, 29 cases resulted in financial loss to the IRC totaling \$394,136.47. The main category of cases involving a loss was misappropriation of assets, which accounted for 82% of the overall loss. The total loss amount does not include thefts that were not reported into the ECU but may have been separately handled by security or Country Programs as the allegations did not involve IRC staff or partners. For the ECU cases, 20% of losses were recovered from subjects with IRC covering the remaining losses with unrestricted funds. As a result, there were no donor losses.

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<sup>3</sup> 13 Cases were reassigned and therefore are not represented in the final ECU cases open at end of FY20.

## FY 2020 Losses for Completed ECU Cases



### (2) Disciplinary Actions

#### a. Fiscal Integrity

For 36 substantiated ECU Fiscal Integrity cases in FY20, there was disciplinary action taken against 80 staff including verbal and written warnings and contract terminations.

#### b. Safeguarding

The number of substantiated safeguarding cases significantly increased in FY20 with 63 substantiated ECU and HR safeguarding cases as compared to 34 in FY19. Disciplinary action was taken against 84 staff and contractors including verbal and written warnings and contract terminations. Further details are outlined below.

### FY2020 Substantiated ECU and HR Safeguarding Cases – Disciplinary Actions

Issue Type	Number of substantiated cases	Number of staff receiving disciplinary action
Beneficiary exploitation Sexual	21	19 <sup>4</sup>
Beneficiary exploitation Economic	24	44
Workplace Sexual Harassment	18	21
<b>Total</b>	<b>63</b>	<b>84</b>

<sup>4</sup> There were a number of investigations where the same subject was named along with different subjects and therefore the number of staff receiving disciplinary action is less than the number of substantiated cases.

## **LOOKING AHEAD TO 2021**

With COVID-19 and remote working continuing into 2021, ECU's goals and work plan for the coming year have been adapted to the 'new normal.'

The ECU's work for 2021 includes:

1. The continued roll-out and integration of the IRC's Enterprise Risk Management Process (ERM) at the regional level of the organization
2. Further integration and localization of Ethics and Compliance activities (prevention, investigations support, and risk mitigation) through an integrated and strategic approach that includes increasing the presence and expertise of local Compliance Coordinators
3. Maturation of contextualized Fraud Prevention and Awareness training activities
4. Investigation capacity building.