

Anti-Corruption Code of Conduct



1. Introduction

Global Aktion (GA) Anti-Corruption Code of Conduct prescribes a policy of zero tolerance towards corruption. Its guiding principle is a high standard of work ethics, as well as personal and organisational integrity, both internally and externally with partners. The target group of the Code of Conduct is GA personnel, GA working groups/activists and partner organisations in the Global South, including expatriate personnel.

The purpose of the Anti-Corruption Code of Conduct is:

- To ensure that all parties involved in GA development cooperation work in a responsible manner, and with a high standard of personal and organisational integrity
- To outline the actions to be taken in the event of suspicion or certainty of fraud, misuse or serious irregularities in connection with GA development cooperation (including the Framework Agreement funds and the Danish Disability grants)

2. Definitions of corruption, fraud, misuse, etc.

This Code of Conduct adopts the widely used definition of corruption as:

“The misuse of entrusted power for private gain”

Recognising that there is no universal or comprehensive definition of corrupt behaviour, this Code of Conduct establishes that corrupt and fraudulent practices comprise the following acts:

Fraud: Fraud and fraudulent behaviour is understood as a deliberate and planned action by management teams or others for personal profit. Fraud includes false representation, extortion, conspiracy, collusion, deception, blackmailing, nepotism, theft and embezzlement of funds, forgery, counterfeiting of documents, and falsification or misrepresentation of costs related to project activities, travel expenses, per diems, etc. A zero tolerance towards all types of fraud is paramount.

Corruption: Corrupt behaviour and practice is understood as offering facilitation payment (also called “grease payment”, “processing fees” or bribery) in order to obtain or expedite services in excess of normal specified charges. A zero tolerance towards all types of corrupt behaviour is paramount.

Misuse of funds and assets: Misuse of funds and assets is understood as the utilization of funds and assets (such as cars, phones, etc.) for other purposes than the one stated in the application for funding of projects and activities; and negligent or improper maintenance of assets. A zero tolerance towards all types of misuse of funds and assets is paramount.

Serious irregularities: Serious irregularities are understood as the lack of proper accounting, delayed or missing financial reports to partners and donors, lack of cost effective and efficient management of assets and financial and human resources, and other forms of mismanagement.

Acceptance or offering of any gifts or favours that are more than “token gifts”, i.e. pens, desk diaries, etc. An employee shall not solicit or receive, directly or indirectly, any gift, favor or benefit in exchange for official action or inaction, or that may influence or appear to influence the exercise of his or her functions, duties or judgment. This also includes benefits awarded to ‘third parties’ such as partner/spouse, children, etc.

Failure to disclose or enable full transparency of contract management or any potential conflict of interest with partner organisations, service providers, suppliers and business partners. This includes any attempt to conceal close family relations, shareholder arrangement or other decisive relationships.

3. Definition of suspicion, well-founded suspicion and proved fraud etc.

Suspicion of fraud or corruption etc. may be based on, for example:

- (a) lack of correct and timely financial accounts and reports;
- (b) complaints from beneficiaries claiming that they have not received promised and reported services;
- (c) purchases of supplies at a much higher price than normally reported;
- (d) observations such as staff spending beyond their presumed financial capabilities, e.g. buying cars or building houses; and
- (e) missing or weak reconciliation of cash, bank statements and accounts.

Well-founded suspicion may be based on suggestive and circumstantial evidence of fraud, for example:

- (a) lack of proper documentation on refunded expenditures;
- (b) missing signatures or incomplete lists of persons that have been paid an allowance to attend training seminars; and
- (c) strong indication that signatures and documents have been falsified.

Proven fraud is based on clear documentation of the type of fraud in question and/or confession of the offender, ready to be presented to police investigators and courts of law.

4. Measures to prevent fraud, corruption, misuse and mismanagement

Description of administrative and financial guidelines and procedures should be in place in member and partner organisations in order to minimize and prevent cases of fraud,

corruption, misuse and mismanagement of funds. Danida guidelines and the GA guidelines are to be followed in connection with the administration of funds under the GA Framework Agreement and GA Danish Disability Grants.

The following anti-corruption clause of The Ministry of Foreign Affairs must be included in all project and funding agreements:

Anti-corruption clause: *“No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted – neither directly nor indirectly – as an inducement or rewards in relation to activities funded under this agreement, including tendering, award or execution of contracts. Any such practice will be grounds for the immediate cancellation of this agreement and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the Royal Danish Ministry of Foreign Affairs, a further consequence of any such practice can be the definite exclusion from any projects funded by the Danish Ministry of Foreign Affairs”.*

Book-keeping and accounting: According to Danida guidelines and as stipulated in GA Guidelines, the involved organisations (member and partner organisations) *must maintain secure and reliable accounting. The organisation must ensure that the economic procedures are satisfactory and with sound internal control routines. The organisation’s bookkeeping must be kept up-to-date, be documented with vouchers and in general observe good bookkeeping and accounting practice. The organisation must retain the accounting materials in compliance with the provisions of the Danish Bookkeeping Act for five years after completion of the activity.*

Auditing: According to Danida guidelines, and as stipulated in GA Guidelines, *audits abroad are to be conducted according to recognised international standards (IFAC/INTOSAI). To the extent relevant, foreign auditors must be informed of the contents of the Audit Instructions presented here. The auditor must verify the correctness and accuracy of the project accounts and check whether the transactions presented in the accounts are in conformity with the allocated grants, negotiated agreements, contracts concluded, and legislation and other rules for grant management. The auditor must also assess the extent to which due financial consideration has been exercised in the administration of the grant funds and the operational support comprised by the accounts.*

During supervision visits, GA and member organisations should meet regularly with accountants, financial departments and local auditors to check financial procedures, guidelines and auditing principles. Partner organisations are expected to facilitate such meetings and visits.

5. Responsibilities

Responsibility of GA

GA is responsible for annual reporting and accounting for programme and project grants received from Danida. Accordingly, GA is also obliged to inform Danida about cases of well-founded suspicion and proven fraud, including corruption and possible misuse and mismanagement of Danida funds.

When informed by member and/or partner organisations about such cases, GA will first attempt, without delay, to verify the validity of the information received. Subsequently, unless the claims are found to be baseless, Danida will be informed about the case and about actions to be taken to clarify or rectify the matter by the partner organisation, the member organisation and GA.

GA's report to Danida will be based on information received from the Danish and the local partner organisation (see below) including GA's assessment of how the member and partner organisation are handling the matter.

Responsibility of member organisations

Member organizations are obliged to, immediately, inform GA about any suspected or proven fraud, corruption, misuse of funds or serious irregularities in connection with grants approved by the GA Mini-Programme or single projects administered by GA in cooperation with individual member organisations.

In cases of raised suspicion, the member organisation and GA, in consultation with the partner organisation, will jointly decide on the necessary action to be taken, in order to establish whether suspicion is well founded. In cases where fraud, misuse of funds or serious irregularities are proven, GA will – without delay – inform Danida, as well as the respective auditors of the member and partner organisations and the GA auditor.

Any proven fraud, misuse of funds or serious irregularities can be grounds for cancellation of the funding agreement in question between GA, the working group and its partner organisation abroad. Depending on the case, disciplinary, civil and/or legal action may be appropriate. A further consequence of such wrongdoing can be exclusion from any future GA-funded activities.

Responsibility of partner organisation

Partner organisations are expected to react immediately if they have reason to suspect fraud, corruption, misuse of funds and assets, or serious irregularities, or if suspicious activities are brought to their attention by employees, expatriate personnel, advisors, beneficiaries or other members of the public.

If investigations show that such suspicions are well-founded, local partners are expected, without delay, to inform their Danish partner about the situation as well as the proposed intervention and measures to be taken.

In clear cases of fraud or corruption, local partner organisations are expected, without delay, to inform their Danish partner about the case and steps already taken or planned in order to resolve the matter and avoid similar case to occur.

Responsibility of expatriate personnel

An employee posted abroad and supported by member organisations and GA is obliged, firstly, to inform his/her superior about any suspected or proven fraud, misuse of funds or serious irregularities in connection with Danida supported activities. If no proper or sufficient action is taken, expatriate personnel must inform the working group and GA immediately to ensure possible follow-up.

Any proven fraud, misuse of funds or serious irregularities committed by expatriate personnel supported by GA can be grounds for immediate cancellation of funding of expatriate development workers. Depending on the case in question, civil and/or legal action may be appropriate. A further consequence of any such practice can be exclusion from any future GA-funded employment.

Responsibility of local and/or Danish auditors

If local or Danish auditors become aware of any kind of fraud, or serious irregularities or breaches of the project or funding agreements with GA, it is their duty to notify the management of the local partner, the Danish member organisation and GA immediately. The remarks of the local and/or the Danish auditors are to be submitted together with findings on the matter.

6. Confidentiality

In order to observe the Anti-Corruption Code of Conduct, all reports of suspected cases of fraud and corruption are to be treated seriously and confidentially. All staff and expatriate personnel of member and partner organisations or GA, who report suspected cases of fraud and corruption in good faith, are guaranteed confidentiality by GA.

Furthermore, should the suspicion prove invalid, no action will be taken by GA or partners against the informer, as all individuals should be encouraged to report on irregularities without any fear of retribution.

However, in cases of deliberately false and malicious allegations of fraud and corruption against member or partner organisations or particular staff members, without any substantiating evidence, GA will inform the partner in question and the involved parties will be asked to comment on the allegation. The partner must decide what actions should be taken against persons making clearly unfounded allegations.

GA will act on all allegations of fraud and corruption. All reported submission of evidence and indications of the alleged fraud or corruption is handled with anonymity

7. Guidelines for handling and reporting cases

Member and partner organisations detecting cases of well-founded suspicion or proven fraud, corruption, misuse of funds and assets, and serious irregularities are expected to inform GA without delay and provide the following information:

- (a) A clear description of the case, persons involved, level of fraud or corruption, and steps already taken to investigate and rectify the matter, including internal disciplinary actions and/or civil and legal steps set in motion or planned. The information provided shall contain as much detail as possible, describing the event fully, including when (date, time, how many times, etc.) and where it happened. The description should be supported by documentation of e.g. reporting of the case to local police/anti-corruption authorities and/or the auditor of the partner.
- (b) Steps taken to recover loss of project funds and assets, and how recovery of loss is expected to proceed, e.g. through insurance or third party claims.
- (c) An assessment of the extent to which existing internal guidelines, procedures and control mechanisms have been violated and/or adhered to, and if relevant, an assessment of why fraud has been possible despite such regulation.
- (d) Concrete proposals for how internal guidelines, procedures and control mechanisms can be strengthened in order to avoid similar cases in the future.
- (e) How and when the matter is expected to be resolved.

All parties are expected to facilitate transparency and offer full cooperation with police and anti-corruption authorities, auditors and other bodies investigating and preparing prosecution of those suspected of fraud, corruption etc., including unrestricted access to all relevant documentation.

8. Possible actions

Possible actions to be taken in such cases as mentioned above will be decided in consultation with the member and partner organisations involved and GA; and, if relevant, in consultation with the Ministry of Foreign Affairs in consideration of the following:

- (a) The specific context of the case.
- (b) The level of fraud, corruption, misuse of funds and/or serious irregularities in question.
- (c) The will, determination and result of efforts on behalf of member and partner organisations involved to rectify evident misuse of funds and assets.

In the case of fraud, corruption, misuse of funds and assets and serious irregularities the partner organisation involved is expected to:

- (a) Try to recover losses incurred with great effort and determination by means of appropriate internal disciplinary or civil and legal steps.

- (b) Take appropriate action as deemed necessary and without delay to prevent similar incidences and cases in the future, such as tightening internal procedures in order to avoid similar cases.
- (c) Take appropriate measures to rectify the situation without delay and ensure future cost-effective and efficient use of available financial, material and human resources.
- (d) Cease cooperation and dealing with the involved parties (individuals, suppliers, partners).

If a partner organisation fails to inform the Danish member organisation and GA about such cases immediately, or does not within a reasonable time period take appropriate action, and/or deliberately tries to conceal such cases in violation of the project or funding agreement, GA will take the following steps:

- (a) Disbursements to the project or activity in question will be suspended, possibly along with GA's financing of other development project and activities of the partner organisation.
- (b) Applications to GA for funding of new development projects and activities may be put on hold, until the leadership of the responsible partner organisation has intervened and taken the necessary actions to re-establish a reliable and accountable management; and proved that the new leadership and management are trustworthy.

The same rules, procedures, regulations and sanctions will apply if fraud, corruption etc. is suspected or proved to have taken place in Danish member organisations or in GA.

9. Preventative measures

In order to prevent the possibility of fraud, corruption, etc. GA suggests a series of preventative measures that can and should be applied before, during and after any funded intervention:

- (a) Separation of duties as an internal control. This means that the function of bookkeeping and auditing should be separated, and that the employees in charge of bookkeeping should not be the same as those in charge of expenditure.
- (b) A clear outline of the partner organisation's accountability structure should be made during initial stages of any project.
- (c) De facto lists of the prices of frequently paid activities can be made, i.e. a list of de facto prices for transport, either per km or per frequently travelled route.
- (d) Fixed procedures and deadlines for registration and financial reporting should be agreed upon and adhered to without exception.
- (e) Coordination with other partners and member organisations can be used to ensure that no expenditure is being charged from more than one budget.
- (f) An authorised bookkeeping program should always be used by both GA and local partners to ensure that registered expenditures cannot be changed at a later time.

- (g) Include the target group of the project – inform them of the planned activities and what to expect, and include them in the evaluation of the program. This will help detect any major discrepancies between planned activities and their execution.
- (h) All budget related documents and documentation is to be stored until 5 years after the ending of a project.