

DMCDD ANTI-FRAUD AND ANTI-CORRUPTION

CODE OF CONDUCT

1. Introduction

The purpose of the Danish Mission Council Development Department (DMCDD) Anti-fraud and Anti-corruption Code of Conduct is to ensure and support behaviour and work ethics that represent high standards of personal and organisational integrity, both internally and externally with partners. The target group of the Code is DMCDD personnel, DMCDD member organisations and partners of member organisations, including seconded personnel and volunteers.

DMCDD administers programme funds for the DMCDD Mini-Programme, the DMCDD Emergency Relief Fund and larger, single projects in cooperation with individual member organisations funded by the Danish Government (Ministry of Foreign Affairs, Danida). Hence, on behalf of member organisations, DMCDD is responsible for providing annual financial reports and accounts to Danida, and for submitting Audited Financial Statements for completed programmes and projects within six months of passing its completion date.

The overall goal of Danish development assistance is poverty reduction. Therefore the Code of Conduct aims to prevent and detect corruption to the benefit of the poor. Hence, the following anti-corruption clause of The Ministry of Foreign Affairs must be included in all project and funding agreements and signed by the Southern partner, the Danish member organisations and DMCDD:

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 DMCDD Project and Funding Agreements, the NGO (the member and partner churches and organisations) must maintain secure and reliable accounting. The NGO 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 NGO must retain the accounting materials in compliance with the provisions of the Act on Bookkeeping for five years after completion of the activity.

Auditing: According to Danida guidelines as stipulated in DMCDD Project and Funding Agreements, *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 entered with DMCDD, 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.*

2. Definition of fraud, corruption, misuse of funds and serious irregularities

Fraud: Fraud is understood as a deliberate and planned action by management teams or others for personal profit. Fraud can include corruption, bribing, extortion, conspiracy, collusion, deception, blackmailing, embezzlement of funds, false representation, forgery, counterfeiting of documents, thefts, black marketing, nepotism, serious irregularities, including misuse, mismanagement, malpractice and misappropriations of designated funds and assets, and concealment of material facts.

Corruption: Danida, the World Bank and international conventions define corruption as the “*misuse of entrusted power for private gains*”. DMCDD understands corruption as including claims or payments of funds (bribery) in order to obtain or expedite services in excess of normal specified charges. Corrupt practises include “facilitation payments” also called “speed” or “grease payments” or “processing fees”.

Misuse of funds: Misuse of funds is understood as the utilization of funds and assets for other purposes than that stated in the application for and funding agreement, and negligent or improper maintenance of assets.

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.

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 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:

- Lack of proper documentation on refunded expenditures.
- Missing signatures or incomplete lists of persons that have been paid an allowance to attend training seminars; and
- A strong indication that signatures and documents have been falsified.

Proven fraud is based on clear documentation on the type of fraud in question and/or confession of those involved, ready to be presented to police investigators and court cases.

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. Some guidelines to be followed in connection with the administration of DMCCDD supported projects and activities are attached as an annex to this Code of Conduct.

During supervision visits, member organisations and DMCCDD may want to meet with accountants, financial departments and local auditors to check financial procedures, guidelines and auditing principles. Partner churches and organisations are expected to facilitate such meetings and visits.

5. Responsibilities

Responsibility of DMCCDD

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

When informed by member and/or partner organisations about such cases, DMCCDD will first attempt, without delay, to verify the validity of the information received before informing Danida. Danida will subsequently be informed about the case, within maximum 14 days of having received the information, and about actions to be taken to clarify or rectify the matter by the partner church or organisation and the member organisation and DMCCDD.

The report of DMCCDD to Danida will be based on information and reporting received from the Danish and the local partner church or organisation (see below paragraphs) including DMCCDD's assessment of how the member and partner church or organisation handles the matter.

Responsibility of partner churches and organisations

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

If investigations show that such suspicions are well-founded, the partner church or organisation is expected, without hesitation, to inform the Danish partner about the situation and the proposed intervention and measure to be taken by the partner.

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

Responsibility of member organisations

Member organizations are obliged, without delay, to inform DMCCD about any suspected or proven fraud, corruption, misuse of funds or serious irregularities in connection with grants approved by the DMCC Mini-programme, the DMCCD Emergency Relief Fund or single projects administered by DMCCD in cooperation with individual member organisations.

In cases where suspicion is raised, the member organisation and DMCCD will, in consultation with the partner church or organisation, jointly decide on the necessary action to be taken to establish whether or not suspicion is well-founded. In cases where fraud, misuse of funds or serious irregularities are proven, DMCCD will - without delay - inform Danida, as well as the respective auditors of the member and partner churches and organisations and the DMCCD auditor.

Any proven fraud, misuse of funds or serious irregularities can be grounds for immediate cancellation of the Project or Funding Agreement in question between DMCCD, the Danish member organization and its partner organisation abroad. Depending on the case, disciplinary, civil and/or legal action may be appropriate. A further consequence of any such practice can result in exclusion from seeking future activities funded by the DMCCD Fund, ref. point 12 below.

Responsibility of development workers and other seconded personnel

Development workers and personnel seconded and supported by member organisations and DMCCD are obliged, first, 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, development workers or seconded personnel are obliged to inform the Danish member organization and DMCCD immediately for possible follow up action.

Any proven fraud, misuse of funds or serious irregularities by development workers supported by DMCCD can be grounds for immediate cancellation of support to secondments of development workers. Depending on the case in question, civil and/or legal action may be appropriate. A further consequence of any such practice can result in exclusion from any future employment supported by DMCCD.

Responsibility of local and/or Danish auditors

If a local or Danish auditor becomes aware of any kind of fraud, misuse of funds, serious irregularities or significant breaches of the project or funding agreements with DMCCD, it is the duty of the auditor to immediately notify the management and competent body of the local partner or the Danish member organisation, which is obliged to inform DMCCD. The remarks of the local and/or the Danish auditors are to be submitted together with findings on the matter. DMCCD is obliged to inform the auditor of DMCCD and the Ministry of Foreign Affairs about such matters.

The same procedures apply if the auditor of DMCCD becomes aware of offences or significant non-observance of the provisions of funding agreements between DMCCD and the Ministry of Foreign

Affairs including lack of appropriate response to reports from auditors of partner and member churches and organisations. The auditor must ensure that information concerning the matter discovered is forwarded together with the auditor's remarks to the Ministry of Foreign Affairs. Failing that, the auditor is obliged to notify the Ministry directly.

See the Audit instructions of the Ministry of Foreign Affairs for further details.

6. Confidentiality

Staff and seconded personnel of member and partner churches and organisations or DMCDD, who report suspected cases of fraud and corruption in good faith, are guaranteed confidential treatment by DMCDD. Furthermore, if the suspicion should prove invalid, no action by DMCDD or partners will be taken against the informer since concerned individuals should be encouraged to report on irregularities.

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

In case of anonymous allegations, DMCDD will encourage reasons for anonymity to be given together with submission of evidence or strong indications of the alleged fraud or corruption.

7. Guidelines for handling of and reporting cases of suspected fraud, corruption, misuse of funds and assets and serious irregularities

Member and partner churches and organisations experiencing cases of well-founded suspicion or proven cases of fraud, corruption, misuse of funds and assets and serious irregularities are expected to inform DMCDD 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 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 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 or adhered to, and if relevant, an assessment into why fraud has been possible in spite of such regulation.
- d) Suggestions on 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.

Full cooperation and transparency 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, is expected.

8. Possible actions and sanctions

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

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

In the case of reported petty theft of funds or assets by an employee or an outsider (possibly working with an insider) the partner church or organisation involved is expected to:

- a) With great effort and determination, try to recover losses inflicted through appropriate internal disciplinary or civil and legal steps.
- b) Take appropriate action as deemed necessary and without delay to prevent similar cases in the future.

If such measures are implemented, documented and reported to DMCCDD immediately, effectively and transparently, no further action will be taken by DMCCDD. However, the partner may, for a period of time, be under strict surveillance.

In the case of proven overcharging by a supplier (possibly in cooperation with a staff member), the partner church or partner organisation involved is expected to:

- a) With great effort and determination, try to recover losses inflicted
- b) Take appropriate internal disciplinary action as deemed necessary
- c) Tighten the internal control measures as deemed necessary without delay; and
- d) Cease dealing with the supplier in question for at least one year

If such measures are implemented, documented and reported to DMCCDD immediately, effectively and transparently, no further action will be taken by DMCCDD. However, the partner may, for a period of time, be under strict surveillance.

In the case of proven or admitted acts of corruption, the partner church or organisation is expected to:

- a) With great effort and determination, try to recover losses inflicted.
- b) Take appropriate internal disciplinary and/or civil and legal action as deemed necessary to prevent similar incidents in the future.

If such measures are implemented, documented and reported to DMCCDD immediately, effectively and transparently, no further action will be taken by DMCCDD. However, the partner may, for a period of time, be under strict surveillance.

In the case of proven misuse of funds and assets, partner churches and organisations are expected to:

- a) With great effort and determination, try to recover losses inflicted.
- b) Take appropriate internal disciplinary action; and
- c) Tighten internal control procedures in order to avoid similar cases in the future.

If such measures are implemented, documented and reported to DMDD immediately, effectively and transparently, no further action will be taken. However, the partner may, for a period of time, come under strict surveillance.

In the case of exposure of serious irregularities and mismanagement of funds and assets, partner churches and organisations are expected immediately to:

- a) Take appropriate measures to rectify the situation without delay and ensure future cost-effective and efficient use of available financial, material and human resources.

If such measures are implemented, documented and reported to DMCCDD immediately, effectively and transparently, no further action will be taken. However, the partner may, for a period of time, come under strict surveillance.

In the case of documented deliberate, systematic fraud and corruption organised by individual staff members, departments or management teams of partner churches and organisations; the responsible bodies are expected to:

- a) Act immediately to rectify the situation without delay
- b) With great effort and determination try to recover the losses; and
- c) Take appropriate internal or external disciplinary action including possible suspension of the implicated parts of the organisation
- d) Adopt necessary measures including the tightening of internal control mechanisms to avoid similar cases in the future.

In such cases DMCCDD will, in cooperation with the relevant member organisation and in consultation with Danida, decide on appropriate actions and possible sanctions.

If a partner church or organisation fails to inform the Danish member organisation and DMCCDD 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; DMCCDD will take the following steps:

- a) Support to the project or activity in question will be suspended and so may be support from DMCCDD to other development project and activities of the partner church or organisation.

- b) Furthermore applications to DMCDD for support to new development projects and activities may be put on hold, until the leadership of the partner responsible has intervened and taken the necessary actions to re-establish accountable management in the church or organisation; and proved during a period of at least one year that the new leadership and management is trustworthy.

DMCDD is pleased to note, that DMCDD members and partner churches and organisations in most instances in the past have lived up to the above rules and regulations. Hence, no change in DMCDD support to development projects and activities are foreseen as a result of this Code of Conduct. However, Danida has asked all Danish NGO's to formulate specific anti-fraud and anti-corruption policies in writing as a condition for future support from Danida. DMCDD foresees no problem in doing so as we have full confidence in our member and partner churches and organisations and we always act in their best interest.

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