

DUF's Anti-Corruption Codex

This codex establishes a zero-tolerance policy on corruption. The guiding principle is that we set high standards for professional ethics as well as for each person's and organisation's integrity – both internally towards ourselves and externally towards our partners. The target group for this codex is DUF's employees, member organisations and their partner organisations in developing countries and the MENA region, including their staff and volunteers.

The purpose of this anti-corruption code of conduct is:

- To ensure that all parties involved in DUF-funded international projects work responsibly and with a high degree of integrity, both as individuals and as organizations
- To outline the countermeasures that will be taken in case of suspicion or certainty of fraud, misuse or serious irregularities in connection with DUF's funds for international work

Corruption

This code of conduct subscribes to the widely used definition of corruption as:

"Abuse of entrusted power and resources for personal gain"

In recognition of the fact that there is no universally applicable definition of corrupt behaviour, this code states that corrupt and dishonest practice includes the following actions:

- **Fraud:** Fraud and fraudulent behavior refer to deliberate acts committed by management or other persons for personal gain. This includes false representations, extortion, conspiracy, collusion, secret agreements, swindling, nepotism, theft, embezzlement, misappropriation, document forgery, as well as misleading or fraudulent reporting of costs associated with project activities, travel expenses, per diems, etc. It is crucial to observe zero-tolerance towards all forms of fraud.
- **Corruption:** Behavior and practice are corrupt when payment beyond normal rates is offered in exchange for special services or expedited processing (also known as "facilitation" and "bribery"). It is crucial to observe zero-tolerance towards all forms of corrupt behavior.
- **Misuse of funds:** This is understood as the use of money and assets (such as service vehicles, phones, etc.) for purposes other than those stated in the application for funding of the relevant projects and activities, and as negligent or inappropriate maintenance of assets. It is crucial to observe zero-tolerance towards all forms of misuse of funds.
- **Serious irregularities:** This refers to inadequate bookkeeping, delayed or missing financial reporting to partners and donors, waste in the management of material, financial and human resources, as well as other forms of management failure.
- **Acceptance of or offer of gifts or services** that are more than symbolic, i.e. other than pens, calendars, etc. No employee may, directly or indirectly, request or receive any form of gift, service or other thing of value that is reciprocated by actions or omissions at work, or that affects – or appears to affect – the performance of his/her functions, duties or judgement. This also applies to values transferred to a third party, such as spouse/partner, children, etc.
- **Secrecy, concealment or suppression** of circumstances in contract management or of potential conflicts of interest in cooperation with partner organizations, service providers, suppliers and business partners. This includes any attempt to hide close family connections, shareholdings, co-ownership and other decisive relationships.

Definition of suspicion, well-founded suspicion, proven fraud, etc.

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

- a. Delays or errors in submitted accounts and reports
- b. Complaints from the target group claiming not to have received services as promised or reported
- c. Purchases of supplies at significantly higher prices than normal
- d. Specific observations such as staff or volunteers with spending far above their presumed financial capacity, e.g. car purchases and construction
- e. Lack of or inadequate reconciliation between cash on hand, bank statements and accounts

Well-founded suspicion may be based on conspicuous indications of dishonesty, such as:

- a. Inadequate documentation for incurred expenses
- b. Missing signatures or incomplete lists of persons who have received compensation for participation in training events
- c. Strong indications of falsification of signatures and documents

Proven fraud is based on clear documentation of the type of fraud in question and/or a confession that can be reported to the police investigators and the courts.

Prevention of fraud, corruption, misuse of funds and management failure

Guidelines and procedures for administration and financial management should be available in writing at member and partner organizations in order to prevent and minimize cases of fraud, corruption, misuse of funds and management failure. The Danish Ministry of Foreign Affairs' guidelines, including the Audit Instructions, as well as DUF's Financial Management Guidelines must be followed in the management of funds from the International Pool and the MENA Fund for partnership activities.

The following anti-corruption clause from the Danish Ministry of Foreign Affairs should be incorporated into all contracts and grant agreements:

"No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made - neither directly nor indirectly - as an inducement or reward in relation to tendering, award of the contract, or execution of the contract. Any such practice will be grounds for the immediate cancellation of this contract and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the Danish Ministry of Foreign Affairs, a further consequence of any such practice can be the definite exclusion from any tendering for projects, funded by the Danish Ministry of Foreign Affairs."

Accounts and bookkeeping:

In accordance with the Danish Ministry of Foreign Affairs' Audit Instructions and DUF's Financial Management Guidelines, the organizations involved (the DUF member and the partner in a developing and/or MENA country) must maintain a secure and reliable accounting system. The organization must ensure that financial procedures are sound and that proper internal control is carried out. The organization's bookkeeping must be kept continuously up to date, documented with vouchers, and be in accordance with good bookkeeping and accounting practice. The

organisation must store the accounting material for five years after the end of the intervention in accordance with the requirements of the Danish Bookkeeping Act.

Audit:

In accordance with the Danish Ministry of Foreign Affairs' Audit Instructions and DUF's Financial Management Guidelines, auditing abroad must be carried out in accordance with recognised international standards (IFAC/INTOSAI). Foreign auditors must, to a relevant extent, be informed of the content of these audit instructions. The audit verifies whether the accounts are fair and whether the dispositions covered by the accounts are in accordance with the grants awarded, negotiated agreements concluded, contracts entered into, as well as laws and other regulations within the field of grant administration. The auditor also makes an assessment of whether due financial considerations have been taken in the management of the grant funds and operating support covered by the accounts.

During monitoring visits, DUF's and the member organisations' representatives are entitled to meet with bookkeepers, other staff from the finance department as well as local auditors in order to review financial procedures, guidelines and audit principles. The partner organisations are expected to cooperate regarding such meetings and visits.

Division of responsibilities

DUF's responsibility

DUF is responsible for annual reporting and submission of accounts for program and project grants received from Danida and the Arab Initiative. Thus, DUF is also obliged to notify Danida and the Danish Ministry of Foreign Affairs in cases of well-founded suspicion and proven fraud, including any corruption, as well as misuse and negligence in the management of public funds.

DUF's reporting to Danida and/or another department of the Danish Ministry of Foreign Affairs will be based on information from the Danish member organisation and the local partner organisation (see below) with the addition of DUF's assessment of how the two project cooperation partners handle the case.

The member organisation's responsibility

Organisations affiliated with DUF are obliged to notify DUF immediately in case of suspicion of, or evidence of, fraud, corruption, misuse of funds or serious irregularities in the management of grants from DUF's Project Fund or the MENA Fund for partnership activities.

When suspicion is raised, the member organisation and DUF should – in consultation with the partner organisation – decide together how to follow up in order to determine whether the suspicion is well-founded or not. If there is suspicion of – or evidence of – fraud, misuse of funds or serious irregularities, DUF will immediately notify Danida and/or another department of the Danish Ministry of Foreign Affairs.

Any case of proven fraud, misuse of funds or serious irregularities may give rise to termination of the current contract between DUF and the Danish member organisation. Depending on the individual case, it may also be relevant to take disciplinary, civil and/or criminal measures. A further consequence of such offences may be exclusion from future DUF-funded activities for a period or indefinitely.

The partner organization's responsibility

Partner organizations are expected to react immediately if they have reason to suspect fraud, corruption, misuse of funds or serious irregularities, or if they are made aware of suspicious circumstances by their employees, volunteers, seconded staff, advisers, members of the target

group or other persons.

If the investigation shows that such suspicion is well-founded, the local partner is expected to report the situation immediately to its Danish cooperation partner with proposals for intervention and countermeasures.

In clear cases of fraud or corruption, the local partner organization is expected to notify its Danish cooperation partner immediately about the case as well as the steps that have been taken or are planned to solve the problem and prevent similar offences in the future.

Responsibility of volunteers, youth leaders and other project workers

Volunteers, youth leaders and others working with DUF-funded projects are, in the first instance, obliged to inform their immediate superior of any suspicion of, or evidence of, fraud, misuse of funds or serious irregularities in connection with DUF-funded activities. If this does not lead to appropriate and sufficient action, the Danish member organization and DUF must be notified immediately in order to ensure any follow-up.

Any case of proven fraud, misuse of funds or serious irregularities committed by volunteers, youth leaders or other persons supported by DUF may give rise to immediate termination of the funding of the relevant youth leader exchange, etc. Depending on the individual case, it may also be relevant to take disciplinary, civil and/or criminal measures. A further consequence of such offences may be exclusion from all future DUF-funded activities.

Responsibility of local and Danish auditors

If local or Danish auditors, in connection with the auditing of accounts for DUF-funded interventions, become aware of any form of fraud, misuse of funds, serious irregularities or significant breaches of the contract or grant agreement with DUF, they are obliged to notify the management of the local partner organization, the Danish member organization and DUF immediately. Comments from local and/or Danish auditors must be reported together with findings regarding the case.

Confidentiality

In order to comply with this anti-corruption codex, all reports of suspected fraud and corruption must be taken seriously and treated confidentially. All DUF employees and volunteers as well as all member and partner organizations who express suspicion of fraud and corruption in good faith are guaranteed confidentiality by DUF.

If the suspicion turns out to be unfounded, neither DUF nor the cooperation partners will take steps against the reporter, since all persons should be encouraged to report irregularities without fear of retaliation.

In cases of deliberately false and malicious accusations of fraud and corruption aimed at members of the partner organizations, specific employees or volunteers without documentation, DUF will inform the relevant cooperation partner, and the affected parties will be asked to respond to the accusation. It will be up to the cooperation partner to determine what consequences it should have for persons who present manifestly unfounded accusations.

DUF will follow up on all allegations of fraud and corruption. If anonymity is requested, DUF will respect this, provided that the reason for such a wish is stated together with the reporting of evidence or indications of the alleged fraud or corruption.

Guidelines for handling and reporting suspicion of fraud, corruption, misuse of funds and serious irregularities

Member and partner organizations that detect indications or evidence of fraud, corruption, misuse of funds or serious irregularities are expected to notify DUF immediately and provide the following information:

- a.** A clear description of the case, the persons involved, the extent of the fraud or corruption and the steps taken to investigate or remedy the problem, including the internal disciplinary and civil and/or criminal measures initiated and planned. As many details as possible should be provided in the form of a thorough account of what has occurred, including when (date, time, how many times, etc.) and where it took place. The description should be supported by documentation such as reports to local police and anti-corruption authorities and/or to the partner organization's auditor
- b.** Steps taken to recover lost project funds and assets, and how the loss is expected to be compensated, e.g. through insurance or third-party claims
- c.** An assessment of the extent to which applicable internal guidelines, procedures and control mechanisms have been violated and/or complied with, and in relevant cases a suggestion as to how the fraud could take place despite such rules
- d.** Concrete proposals for how internal guidelines, procedures and control mechanisms can be strengthened to avoid similar cases in the future
- e.** How and when the case is expected to be concluded

All parties are expected to contribute to the clarification and to cooperate fully with police and anti-corruption authorities, auditors and other bodies responsible for investigation and prosecution of persons suspected of fraud, corruption, etc. This includes ensuring unrestricted access to all relevant documentation.

Possible countermeasures

The response to the above cases of dishonesty will be decided in consultation between DUF, the partner organizations involved and – if relevant – the Danish Ministry of Foreign Affairs, taking into account the following conditions:

- 1.** The specific circumstances of the case
- 2.** The extent of the fraud, corruption, misuse of funds or serious irregularities in question
- 3.** The member and partner organization's willingness, determination and results in efforts to remedy the damage caused by a clear misuse of funds. In cases of fraud, corruption, misuse of funds and serious irregularities, the partner organization involved is expected to:
 - a.** Attempt to recover the loss diligently and decisively through appropriate internal disciplinary, civil and/or criminal measures
 - b.** Take appropriate and immediate countermeasures depending on what is deemed necessary – such as tightening internal procedures – to prevent similar incidents in the future
 - c.** Take appropriate and immediate steps to remedy the situation and ensure a cost-effective use of financial, material and human resources going forward
 - d.** Discontinue cooperation and confront the parties involved (individuals, suppliers, partners)

If a member or partner organization does not immediately inform each other and DUF about such cases, does not within a reasonable period take appropriate countermeasures and/or deliberately

seeks to conceal circumstances of this nature in contravention of the basis for the grant, DUF will take the following steps:

- 1.** Disbursements to the project or activity will be suspended, possibly simultaneously with DUF's financing of other projects and activities carried out by the same member and/or partner organization
- 2.** Applications to DUF for funding of new projects and activities may be closed until the management of the responsible organization has intervened with the necessary means to restore responsible management and to build trust in the new political and administrative leadership

The same rules, procedures and sanctions naturally also apply if there is suspicion of, or evidence that, fraud, corruption, etc. have taken place within DUF.