

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

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1. Purpose

The purpose of Center for Church-Based Developments (CKUs) Anti-fraud and Anti-corruption Policy is to prevent corrupt practices and fraud in the management of development assistance and to ensure, if such practices occur, that it will be addressed in a solid manner.

The policy applies directly to CKU and the following entities and their representatives (staff, volunteers, board members, consultants and others):

- a) Danish organisations having a grant with CKU
- b) Co-applicant organisations
- c) Partner organisations in the Global South

The obligation to respect and adhere to this policy will be an integral part of and included in all agreements and contracts with partners mentioned in the above categories.

The Ministry of Foreign Affairs requires the following clause included in all project agreements relating to grants financed by the Ministry of Foreign Affairs:

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 - 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."

In order to prevent corrupt practices, CKU requires solid financial- and accounting standards in place to handle projects and activities supported by CKU through the Danish Ministry of Foreign Affairs. These are stipulated in the CKU management guidelines and mentioned in short below:

Requirements to financial management:

The Danish organization's accounting must be continuously updated and include supporting documents, adhering to good accounting and financial practices. It is the Danish organization's responsibility to ensure that the financial management of a grant meets CKU's minimum financial standards (applicable to both

Danish organizations and their partners). The Danish organization must inform the partner organization of these minimum requirements and follow up if the partner fails to meet the specified criteria. The Danish organization must retain accounting records in accordance with the requirements of the Danish Accounting Act and keep the material for five years after the completion of the intervention. It is also a requirement that the Danish Organization has written financial procedures in place.

Requirements to Auditing:

The Danish organization is responsible for ensuring that the Danish auditor is familiar with CKU's requirements for the audit on behalf of the Ministry of Foreign Affairs. The auditor oversees the local audit of grants in the global south. Therefore, the Danish organization's auditor approves the local auditor, who must conduct the audit according to international auditing standards and the Ministry of Foreign Affairs' auditing instructions for grants above DKK 500.000 and below DKK 500.000 respectively. To the extent relevant foreign auditors must be informed of the contents of the Audit Instructions. 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 CKU, 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*". CKU 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:

- 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) 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 the Danish organisations and partner organisations in order to minimize and prevent cases of fraud, corruption, misuse and mismanagement of funds. We strongly recommend that all partners go through CKUs [online Anti-Fraud and Anti-Corruption](#) training before implementing a CKU-funded project.

During monitoring visits, the Danish organisations and CKU are expected to meet with accountants, financial departments and if relevant local auditors to check financial procedures, guidelines and auditing principles. Partner organisations are expected to facilitate such meetings and visits.

5. Responsibilities

Responsibility of CKU

CKU is responsible for annual reporting and accounting for programme and project grants received from Danida. Hence CKU 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 the Danish and/or partner organisations about such cases, CKU 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 organisation and the Danish organisation and CKU.

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

Responsibility of partner organisations

Partner 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, consultants, volunteers, , advisors, beneficiaries or other persons of the public.

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

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

Responsibility of the Danish organisations

The Danish organizations are obliged, without delay, to inform CKU about any suspected or proven fraud, corruption, misuse of funds or serious irregularities in connection with grants approved by CKU or where CKU is involved in the administration of the grant.

In cases where suspicion is raised, the Danish organisation and CKU will, in consultation with the partner 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, CKU will - without delay – inform Danida, as well as the respective auditors of the Danish organisation, the partner organisation and the CKU auditor.

Any proven fraud, misuse of funds or serious irregularities can be grounds for immediate cancellation of the Project Agreement in question between CKU, the Danish 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 CKU, ref. to chapter 8 below.

Responsibility of seconded personnel, e.g. consultants and volunteers

Short term consultants and volunteers supported by the Danish organisations and CKU 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, the seconded

personnel are obliged to inform the Danish organization and CKU immediately for possible follow up action.

Any proven fraud, misuse of funds or serious irregularities by short term consultants supported by CKU can be grounds for immediate cancellation of support to the secondment of the consultant. 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 CKU.

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 CKU, it is the duty of the auditor to immediately notify the management and competent body of the local partner organisation or the Danish organisation, which is obliged to inform CKU. The remarks of the local and/or the Danish auditors are to be submitted together with findings on the matter. CKU is obliged to inform the auditor of CKU and the Ministry of Foreign Affairs about such matters.

The same procedures apply if the auditor of CKU becomes aware of offences or significant non-observance of the provisions of funding agreements between CKU and the Ministry of Foreign Affairs including lack of appropriate response to reports from auditors of the Danish organisations and partner 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 the Danish organisations and the partner organisations or CKU, who report suspected cases of fraud and corruption in good faith, are guaranteed confidential treatment by CKU. Furthermore, if the suspicion should prove invalid, no action by CKU 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 the Danish organisations or partner organisations or particular staff members, without any substantiating evidence, CKU 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, CKU 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

Danish organisations and partner 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 CKU 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 strengthen 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 the Danish organisation and partner organisation involved and CKU; 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 the Danish organisation and partner organisation 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 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 future cases.

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

In the case of proven or admitted acts of corruption, the partner 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 CKU immediately, effectively and transparently, no further action will be taken by CKU. However, the partner may, for a period of time, be under strict surveillance.

In the case of proven misuse of funds and assets, partner 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 CKU 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 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 CKU 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 CKU will, in cooperation with the relevant Danish organisation and in consultation with Danida, decide on appropriate actions and possible sanctions.

If a partner organisation fails to inform the Danish organisation and CKU 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; CKU will take the following steps:

- a) Support to the project or activity in question will be suspended and so may be support from CKU to other development project and activities of the partner organisation.
- b) Furthermore, applications to CKU 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 organisation; and proved during a period of at least one year that the new leadership and management is trustworthy.

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 organisations or in CKU.