

ANTI-CORRUPTION CODE OF CONDUCT

1. Introduction

AIDS-Fondet's Anti-Corruption Code of Conduct prescribes a policy of zero tolerance towards corruption, including in projects financed by or through AIDS-Fondet. 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 AIDS-Fondet staff and international partner organisations.

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

- To ensure that all parties involved in AIDS-Fondet's international 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 AIDS-Fondet's international cooperation

2. Corruption

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

"The misuse of entrusted power for private gain"

Recognizing 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 diem, 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:

- lack of correct and timely financial accounts and reports;
- complaints from beneficiaries claiming that they have not received promised and reported services;
- purchases of supplies at a much higher price than normally reported;

- observations such as staff spending beyond their presumed financial capabilities, e.g. buying cars or building houses; and
- 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
- 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

AIDS-Fondet applies the following measures to prevent fraud, corruption, misuse and mismanagement in AIDS-Fondet's international cooperation.

Anti-corruption clause: The following anti-corruption clause is included in all funding agreements:

"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".

Further, all partners are required to have an anti-corruption code of conduct and guideline in place, providing clear definitions of fraud and corruptions and clear guidelines to how to report on suspicion and to who, including contact details to various levels of the organisation and donors.

Financial monitoring: Fund transfers to partners are done every four months, based on satisfactory financial reporting including bank statements, cash book statements and

justifiable four months activity budgets by partner organisations. Partner reports are controlled by AIDS-Fondet's CFO. At least once every year, partner organisations are subject to a thorough check of their financial procedures, accountability measures and bookkeeping practices during site-visits by AIDS-Fondet staff supported by AIDS-Fondet's CFO, using the CISU's financial checklist and Accountability Dialogue Tool. This includes random samples of supporting documents, salary slips etc. In regard to new partnerships, a thorough financial check of new partners is conducted before entering into partnership, cf. AIDS-Fondet Management Guidelines for International Programmes and Projects.

Book-keeping and accounting: International partner organizations must maintain secure and reliable accounting. The organization must ensure that the economic procedures are satisfactory and with sound internal control routines. The organization's bookkeeping must be kept up-to-date, be documented with vouchers and in general observe good bookkeeping and accounting practice. The organization must retain the accounting materials in compliance with the provisions of the Danish Bookkeeping Act for five years after completion of the activity. All partner organisations must have financial guidelines that are approved by AIDS-Fondet's Head of Finance, cf. AIDS-Fondet's Financial Guidelines and Management Guidelines.

Auditing: Local audits are to be conducted according to recognised international standards (IFAC/INTOSAI). Local auditors must be informed of the contents of relevant 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, 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. Project-specific audits are conducted on all international projects with a total budget of more than 250,000 DKK or if stipulated in the guidelines of the specific donor, cf. AIDS-Fondet's Financial Guidelines and international Management Guidelines.

Donor-coordination: AIDS-Fondet contacts other donors of local partners every year as part of the thorough financial assessment to ensure that double-funding is not taking place.

Anti-corruption policies: All local partners must have anti-corruption policies as well as clear procedures on how to report suspicion of fraud and how to handle such reports.

5. Responsibilities

Responsibility of AIDS-Fondet

AIDS-Fondet is obliged to inform the donor about cases of well-founded suspicion and proven fraud, including corruption and possible misuse and mismanagement of funds.

When informed about such cases, AIDS-Fondet will first attempt, without delay, to verify the validity of the information received. Subsequently, the donor will be informed about the case and about actions to be taken to clarify or rectify the matter. At the same time, AIDS-Fondet's board will be informed.

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 obliged, without postponement, to inform AIDS-Fondet 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 obliged, without delay, to inform AIDS-Fondet about the case and steps already taken or planned in order to resolve the matter and avoid similar case to occur.

Partners can report to either AIDS-Fondet's CEO, Head of Department, Head of International Programmes or the Programme Officer directly or by using an anonymized form (see form for reporting irregularities including contact details in annex 7.9).

Responsibility of local and/or Danish auditors

If local or Danish auditors become aware of any kind of fraud, misuse of funds, serious irregularities or significant breaches of the project or funding agreements with AIDS-Fondet in connection with the auditing of accounts of AIDS-Fondet grants, it is their duty to notify AIDS-Fondet and the management of the partner organisation immediately. The remarks of the local and/or the Danish auditors are to be submitted together with findings on the matter.

6. Confidentiality

All reports of suspected cases of fraud and corruption will be treated seriously and in confidence. All staff of partner organisations or AIDS-Fondet, who report suspected cases

of fraud and corruption in good faith, are guaranteed confidentiality by AIDS-Fondet. Should the suspicion prove invalid, no action will be taken by AIDS-Fondet 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 organisations or particular staff members, without any substantiating evidence, AIDS-Fondet will inform the organisation in question and the involved parties will be asked to comment on the allegation.

AIDS-Fondet will act on all allegations of fraud and corruption. If anonymity is requested, AIDS-Fondet will respect this. The reason for anonymity must be indicated together with submission of evidence or indications of the alleged fraud or corruption.

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

Partner organisations detecting cases of well-founded suspicion or proven fraud, corruption, misuse of funds and assets, and serious irregularities are obliged to inform AIDS-Fondet without delay and provide the following information:

- (a) A clear description of the case, persons involved, level of fraud or corruption, and possible 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 partner organisation involved and, if relevant, in consultation with the donor in 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.
- (c) The will, determination and result of efforts on behalf of 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 AIDS-Fondet 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, disbursements to the project or activity in question will be suspended, possibly along with AIDS-Fondet's financing of other project and activities of the partner organisation.

The same rules, procedures, regulations and sanctions will, of course, also apply if fraud, corruption etc. is suspected or proved to have taken place within AIDS-Fondet itself.

Annex: Form for reporting irregularities

