

Guidelines for the fight against and prevention of corruption, conflicts of interest, and fraud in the context of the DAHW work

1. Introduction

DAHW Deutsche Lepra- und Tuberkulosehilfe e.V. as a non-government organization is receiving private donations, funds of public offices and contributions of third parties and partners, to fulfill its mandate and statutory Obligations.

Included in the statutes and mandate of DAHW are medical and social relief projects, either self-implemented or implemented via partner organizations; emergency aid programs and projects of reconstruction as well as development of social services. The work of DAHW is based on the confidence of its private donors and external financial sponsors that all trusted donations, public and earmarked funds will only be used for the intended aims (earmarked) within the statutory goals of DAHW and only to be used to help the individual target group in the best way ever possible. Therefore DAHW has the ethical commitment resulting from the social objective and goals. This ethical commitment is not only binding towards the external financial sources but also a commitment towards the receivers of the help, the target group.

Corruption exists in different forms in all cultural contexts and societies. Corruption is a very serious problem in the context of humanitarian aid and development aid. Especially in the mandate area of DAHW where considerable funds and tangible assets are used the problem area of corruption has to be in the focus of special attention.

DAHW together with the local partner organizations is responsible for the best and optimum usage of the trusted project funds. Although the Co-operation with the local partner is based on mutual confidence and trust, provisions and mechanism must be installed to ensure the prevention of corruption and to promote the fight against corruption.

Corruption is not only an ethical problem but an economic problem: Each Euro lost to corruption cannot be used for the purpose of the humanitarian, social and development aid it was meant for. Corruption corrupts the rules of competition; and is promoting decisions based on personal interests and not based on facts or on common welfare.

DAHW pursues a zero tolerance policy with regard to corrupt behaviour, fraud and conflicts of interest. Any kind of corruption is forbidden at DAHW, regardless of whether it is for one's own or a third party's benefit, directly or indirectly, aimed at monetary or immaterial advantages, directly through one's own actions or through third parties appointed for this purpose, through active actions or merely by accepting unjustified advantages. Conflicts of interest must also be absolutely avoided.

Therefore DAHW has developed these guidelines with the objective to avoid fraud, corruption and conflict of interests on all levels of work, in Germany and abroad, and to fight corruption. With the help of preventive measures these manifestations shall be counteracted in time. Conflicts of interest and cases of corruption should be exposed in good time and clarified in a sustainable and consistent manner.

The guidelines are first describing the definition and the form of appearance of corruption as well later precise tools and binding rules of behavior that all should contribute to the prevention of and fight against fraud and corruption within the scope of work of DAHW.

2. Corruption, Fraud and Conflicts of Interest: Definition, Form of Appearance

2.1 Definition of Corruption / Fraud / Conflicts of Interest

Corruption/fraud in the sense of these guidelines is understood as misuse of entrusted power, transferred position of trust or granted opportunities for private benefit or advantage to which there is no legally justified claim.

It may appear in different forms. The definition of corruption also includes the abuse of tangible assets, spoils system and nepotism (favoritism) as well as other legal definitions of the elements of a crime like fraud, breach of trust, agreements restricting competition and money laundering

Cases (corpus delicti) of corruption can be manifold:

Offering, giving, asking for gifts or accepting gifts, loans, rewards, commissions or any other comparable private advantages with the goal to influence the corrupt person to behave in an unethical or illegal way or commit a breach of trust.

A conflict of interest exists if DAHW staff members pursue goals or interests of third parties or themselves to the detriment of DAHW in addition to the interests of DAHW for which they are responsible, or if there is a risk that other interests are pursued in addition to the interests of DAHW or if the impression is created that other interests are being pursued to the detriment of DAHW. Damages for DAHW can be of material (financial, factual, etc.) or immaterial nature. For the existence of a conflict of interests it is irrelevant whether a damage occurs or can only possibly occur.

2.2 Forms of Appearances of Corruption, Fraud / Conflicts of Interest

Corruption, fraud and conflicts of interest in the scope of work of DAHW as international relief organization and in the context of development aid have manifold forms of appearances. Most common risks are:

- Falsifying project applications, providing falsified information about the number of beneficiaries, blowing up the real emergency situation
- Mis-appropriation of project funds, ie. private use of project funds or use of the funds for a purpose not agreed upon
- Tapping off/stealing relief goods granted for needy people
- Delivery of bad quality of relief goods
- Exchange for less valuable goods
- Sale of relief goods or any DAHW property/assets on the local market
- Manipulation of offers in the bidding process
- Housing/building projects: usage of minor value/substandard material
- Presenting/claiming invoices several times in order to receive payment for these
- Change in flow of funds for projects
- Payment or receipt of so-called "Kickbacks" which means agreeing upon exaggerated invoices with suppliers, and the difference of this amount between the actual price and the faked invoice will be divided between the customer and the supplier.
- Payment of fictitious salaries of employees (to non-existing employees) or excessive salaries
- Book entries of taxes, social security payments and other benefits as project expenditures that in reality have not been paid to the respective public offices
- Booking/payment of activities (e.g. trainings) that have not taken place
- Payment of travel expenses for travels that either have not taken place or were shorter than stated
- Private use of duty vehicles, means of communication (Internet/Email) and other technical or tangible assets purchased for project purpose
- Falsifying / faking any receipts or vouchers (ie. cheques, invoices etc.)

- Gaining of financial profits, ie. by delayed use of project funds and use these project funds for investments (in bank investments or using project funds for interest earnings or other profit-making investment without showing and using these financial gains as project income)
- Currency gains by exchanging currencies at black market rates, currency exchanges without presenting receipts or proof for exchange activities and without using these gains for project purpose.
- Nepotismus, favoritism, preferential treatment means: Preferring a relative or a friend by appointing an official function or place an order.
- Speeding up a process by paying money: Payments are done, to speed up ie. customs procedures, granting official approvals (by state officials) or to speed up an allocation of a telephone connection.
- Bribery and/or harassment of accessories: Tool to force (third) persons that know about the corrupt practices to keep silent and cover up these types of crimes.

3. Prevention of terrorist financing and money laundering

DAHW's guidelines and the controls introduced to prevent illegal activities play an important role in the prevention of money laundering and terrorist financing. In order to prevent the misuse of funds by partners, DAHW examines those persons and organizations from whom it receives support, to whom money is given or with whom DAHW works closely, with appropriate care before entering into relationships or agreements.

During a cooperation with partners it is important to look for indications of money laundering, e.g.

- Unusual cash payments,
- Payments in currencies not specified on the corresponding invoice,
- Payments made by a third party and not by the actual contracting party, unless this has been agreed upon,
- Money transactions that bypass the regular bookkeeping,
- Any attempts to proceed as mentioned above or inquiries as to whether such a procedure would be possible.

4. Measures for prevention of corruption in project administration of DAHW (national and international)

High level transparency in all regards to project work is the best prevention of corruption. Besides this, control of own project administration and control of the administration of the project partners is another element to impede corruption. Generally any measures of prevention of corruption, like transparency and control mechanism together with the partner organizations are the best means for protection against corruption and should be striven for as well as to develop a corporate strategy for prevention of corruption.

4.1 Risk Assessment of Project Co-operation

Prerequisite of any internal approval of a project is a standard assessment of existing and possible risks of a project co-operation. The risk assessment includes a framework of different things like index of corruption of the country, pressure in acute emergency situations, but also risks in connection with the administration of the project partner or his professional competence. All known risk factors should openly be presented and identify possible means for risk management. If risks during the project are increasing, the risk assessment needs to be adjusted.

4.2 Check of Partner Organizations

Local partner organizations co-operating with DAHW will be checked and assessed at the beginning of the co-operation in regards to their leading management, capacity of management, company economical management, accounting system and transparency, previous co-operations with other donors. It must be particularly verified, if the partner is willing and capable of controlled accounting, financial monitoring. This assessment is done with the help of a common standard process. References are obtained where possible, e.g. from the German Foreign Office.

A co-operation with project partners that are not fulfilling the minimum standards of the mentioned principles can only be started in exceptional cases with justification and is asking for a close supervision by DAHW.

Approval of Project

Projects will be approved by the DAHW "Project Approval Commission" or by the "Commission for Co-financing Applications" in accordance with the scope of a defined internal procedure. This is based on the project approval guidelines granted by the board of DAHW. The MSP (medico-social project department) is preparing a project proposal including a risk assessment.

Agreement of Allocation with the project partner and administration guidelines

The Agreement of Allocation with the project partner is defining the goals of the project, the definition of usage for the funds and the amount of the approved budget as well as the administration guidelines to be used. Standards of project administration must be implemented irrespectively of the financial project volume or if it is a pre-requisite from the co-financing partner. The continuous DAHW Supervision includes controlling the partner, ie. fulfilling all requirements and specifications; and if reporting is on time and according to given deadlines. Checking the documentation includes assessment, if the documentation is true and if the prices quoted are realistic taking the local price range into consideration. Non-used project funds must be paid back to DAHW.

Accounting

A correct, transparent and comprehensible accounting is a decisive pre-requisite to avoid corruption. Project expenditures may only be used for the intended project purpose and within the approved budget lines, either by DAHW for expenditures of investments or other expenditures for the project or expenditures done by the partner organization. For the expenditures executed by the partner organization the DAHW will transfer instalments according to resource needs (call for funds). Additional income for the project (for example: interest profit) have to be separately proven. Details are part of the individual project agreement.

Four eyes principle

DAHW is applying a system of clear division between duties and functions (responsibilities) in important areas. The four-eyes-principle must be applied for any project relevant decisions like project approval and approval of funds, payments, agreement of allocation or final settlements of the project. More details can be found in the list of authorized signatures - official signatories of DAHW.

Funds and benefits in kind for a project (i.e. travel cost and reimbursement,) may not be ordered by DAHW employees when at the same time they are the recipient of these funds and/or benefits in kind.

Six-eyes-principle for contracts with family members

Contracts of any kind with family members of employees in and outside of Germany need the approval of the next two higher superiors in charge. Outside of Germany any contracts with family members need the additional approval of DAHW Chief Executive Officer or Deputy Chief Executive Officer.

Training of and Guidance for Employees and Partner Organizations

Basic administrative expertise and special knowledge concerning administrative policies are needed for a transparent management of funds.

DAHW will be training their employees about the internal procedures and project administration/management. DAHW regional and program offices have an important supporting and guiding role for the project partners concerning implementation and administration of the project.

Eliminate local inducement during project planning phase

Besides the importance to know the local project partner, certain risks of abuse and mismanagement can pro-actively be eliminated during project planning phase by discussions between DAHW and the partner. DAHW will advocate for adequate payment of the responsible project employees in terms of their financial and practical responsibilities.

Social Auditing

Involvement of target groups and local Stakeholders during the planning phase and the budgeting can lead to a "social auditing" later. At a later stage the organized target groups (ie. SHG) will take over a controlling role in reporting about the usage and proof of project expenditures. They can trace and assert, if the funds have economically been used for the intended purpose. The local co-operation partner should provide the organizational set up for the participation of the grassroots organizations (target groups).

The beneficiaries of the relief projects will be encouraged by the responsible project manager to report to a higher institution when there is any doubt or suspected abuse of project funds or tangible assets. Usually this is the superior institution, ie. responsible DAHW person for the respective project. For this purpose DAHW has established an effective and transparent complaints management system. Within the project, appropriate precautions must be taken to make the complaint channels accessible to the beneficiaries (Beneficiary Complaint Mechanism).

Allocation of orders and services, Control system for procurement

When procuring goods and services the procedures and rules of conduct laid down in the "Purchasing and Procurement Regulation for DAHW Head Office and offices in Muenster and Berlin" have to be observed. For all procurement transactions with a volume of more than 5,000 Euros it is mandatory to obtain an additional authorization from the DAHW CEO. For work abroad the procurement framework laid down in the Project Management Manual applies. The DAHW CEO authorizes all procurement transactions with a volume of 20,000 Euros or more.

Internal Check/Audit and Quality Assurance

The check of the local project accounting and the voucher list (cross reference list) is done by regional and program offices and internally by DAHW HQ employees in the project accounting department. They are aware of the special and (country) specific requirements of the project accounting. DAHW internal process and adherence to guidelines will be regularly checked by the DAHW internal revision.

External Check/Audit

Based on the project agreement (agreement of allocation) and the DAHW supervision and pre-assessment, projects financed by public funds will additionally be audited by an external certified chartered accountant. This chartered accountant company must be exchanged on a regular basis. A standardized system of procurement for chartered accountants must be applied.

DAHW is subject to an annual check by "Deutsches Zentralinstitut für Soziale Fragen (DZI)" "Central Institute for Social Questions" in order to obtain an official confirmation of economic use of the entrusted donations and funds in accordance with the statutes of the NGO. In its annual report DAHW is giving a complete and detailed overview of the income and expenditures, reporting about the kind and usage of project funds and the salaries of the DAHW employees.

In addition, within the framework of an internal procedure DAHW maintains a compliance office which, together with an investigation team, ensures that reports are dealt with swiftly, and for anonymous complaints an "ombudsman's office" for reporting any suspicious cases.

5. Code of Conduct for Employees and Partner Organizations

5.1 Area of application

The policy applies to all officials and staff for the entire duration of their official assignment irrespective of the location. In this context, 'staff' includes DAHW employees worldwide, members of the boards, project partners, consultants executing short- or long-term assignments, trainees and volunteers and all those who travel to project countries in the name of DAHW.

Therefore any actions and behaviours which are in violation of the policy are not tolerated by DAHW. All DAHW employees and partners must sign this policy and comply with it. Any breach will result in disciplinary actions and might lead to immediate dismissal from the organization and claims for compensatory damages.

5.2 Code of Conduct

The persons listed in para 5.1 are obliged to follow the below rules and terms of references:

- Corruption of any kind is forbidden - direct or indirect. This includes all kind of corruption and fraud as mentioned in para 2.2 and 3
- All measures mentioned in para 4 to avoid and fight corruption, conflicts of interest and fraud are binding and have to be adhered to.
- Personal relations or personal advantages may not influence the decisions of DAHW employees and their partners.
- Payment of bribe money or other benefits paid with the goal to influence or to speed up an official process have to be refrained from. If such payments cannot be avoided or DAHW employees are forced to pay (for example in case of an acute threat or danger to the personal safety of DAHW staff) , DAHW HQ needs to be informed and, if anyhow possible, also the local higher authorities in the respective country.
- Offering or accepting of gifts, allowances and travel and entertainment expenses is forbidden, if those expenses paid could influence the project approval or the conclusion of a contract and if those are of a higher value and not reasonable and adequate.

Violation of these rules and especially a violation of the code of conduct 5.2 will result in disciplinary or contractual sanctions (letter of reprimand, notice of termination, end of project co-operation, claim for the return of project funds already paid etc.) If there is a criminal act, the legal steps will be taken. In case of corruption within a partner organization DAHW reserves the right to publish this incident within the ILEP network and to alert others to start a co-operation with this particular organization.

6. Reporting procedures / Ombudsman

DAHW employees who are in possession of serious hints or who suspect corruption or actions of fraud are obliged to report this to their superior or to a neutral institution (Ombudsperson: Email ombudsman@dahw.de). Employees will be encouraged to report any violations of the anti-corruption guidelines and report their concerns as soon as possible.

For this purpose safe, easily accessible and confidential channels of information have been installed. Nobody may be discriminated because of forwarding information concerning violations of these guidelines. In order to protect the person(s) reporting or giving the hints DAHW has installed a reporting system assuring the anonymity of the person(s)..

The procedure for reporting an alleged or actual violation of the guidelines by DAHW staff or external persons in DAHW programs is described in the internal complaint management: <https://www.dahw.de/organisation/vision-und-mission/qualitaetsmanagement/richtlinien/richtlinien-in-anderen-sprachen.html> .

All DAHW Regional Representatives and Heads of Program Offices and Heads of partner organizations must ensure that the program beneficiaries know about DAHW's guidelines and DAHW's structure for addressing concerns. This awareness raising should be done in local and easy-to-understand language/medium. All the information materials should also be in a child-friendly format and should be easily accessible to the beneficiaries.

It is the responsibility of the respective Regional Representative (or HQ Regional Team if there is no Regional Representative) to initiate capacity building of the regional/program structures and to send out regular updates and information materials related to DAHW's policies. All actions should be part of the annual progress reports.

It is mandatory for any allegation, belief or suspicion of policy non-compliance by a DAHW employee or others as covered under section 5.1 (Area of Application) to be reported immediately to the respective DAHW Regional Representative or to the Head of Program who then immediately informs the DAHW HQ (Regional Team Leader). Reports can also be made directly to the ombudsperson. Reports within the branch offices in Germany are to be addressed to the superior or management, compliance office or ombudsperson.

An investigation team ensures that the reported cases are thoroughly investigated, prosecuted and appropriately documented. In the investigation and prosecution process, the team involves internal and/or external experts on a case-to-case basis to deal with it professionally and efficiently. The team is required to handle the reported cases in the strictest confidence and to protect the identities of the informant and the accused appropriately.

7. Implementation

Copies of all DAHW Policies including Guidelines for the fight against and prevention of corruption, conflicts of interest and fraud in the context of the DAHW work are provided to each staff member, members of DAHW Boards and they is also published on our website.

All DAHW Policies including Guidelines for the fight against and prevention of corruption, conflicts of interest and fraud are annexed to all contracts of employment and assignments as well as contracts with project partner organizations.



All DAHW Policies including Guidelines for the fight against and prevention of corruption, conflicts of interest and fraud are explained to all staff and each staff member is required to sign an acknowledgement of their commitment to comply with the Guidelines.

In-house training and detailed information sessions will be executed.

The investigation team which is constituted at the HQ shall investigate, in cooperation with the regional DAHW structures, all the complaints raised and take timely and appropriate action and follow-up through the procedures till the case is concluded and closed.

Code of Conduct rules are a binding part of the working contract, honorary contracts or partner contracts. Violations of the guidelines and code of conduct will lead to disciplinary or contractual sanctions (letter of reprimand, notice of termination, end of project co-operation etc.)

Functional Area:	Human Resources and Organizational Development
Owner:	CEO DAHW
Approved By:	CEO DAHW 11/2020 (second edition)
Date of next Review:	Three years from approval date (or earlier if deemed necessary)
Language:	English, German, Spanish, French and Portuguese
Applicable to:	All staff (Germany and Abroad), Members of the Executive Board and Supervisory Board, Project partners, Consultants, Trainees and Volunteers, Suppliers
Related Policies:	DAHW Code of Conduct; DAHW Child Protection Policy, DAHW Internal Complaints Management Mechanism, Guideline for Corporate Collaboration, Social Media Guideline; Bye-laws of Internal Procedures for Internal Revision of DAHW, DAHW Project Management Handbook
Contact:	CEO DAHW