**Document Manager: Controller**

## Objective

Corruption poses –apart from any financial loss – a serious risk to the reputation, credibility and ethical principles of Cordaid's staff and activities. The objective of this policy is to set out guidelines, measures and procedures designed by Cordaid for the prevention and detection of corruption, for the actions to be taken in case of presumed corruption and for the sanctions to be imposed in case of detected corruption (prevention, detection, correction).

## Scope

This policy applies to all Cordaid's staff members, volunteers and consultants commissioned by Cordaid, in the Netherlands and abroad. Furthermore, the policy also applies to all implementing partners and suppliers who are contracted for the purpose of reaching Cordaid's objectives.

## Definition

Cordaid provides the following definition of corruption:
"the abuse of entrusted power for private gain based on financial and/or non-financial actions".
Corruption includes: offering and/or accepting services, resources or any other advantage against carrying out, directly or indirectly, any unlawful acts. Corruption can take many forms such as: bribery, theft, embezzlement, extortion, exploitation of "conflict of interest", fraud, granting or receiving unlawful compensation, money laundering etc.

## Legal Framework

Cordaid's staff members, volunteers and consultants commissioned by Cordaid shall respect Dutch legislation as well as the legislation of the countries in which they work.

## Principle on Corruption

Cordaid is committed to the principle of zero tolerance towards corruption. The Code of Conduct of Cordaid rejects any form of corruption. Furthermore, under no circumstances it is permitted to accept any personal gifts if the monetary value exceeds €25, in order to avoid any suggestion of corruption or influence on staff members.

## Prevention

Cordaid provides for several mechanisms to deter and prevent corrupt practices. The following paragraphs outline the measures to be taken.

*Procedures, work processes and protocols & guidelines*

For the prevention of corruption, national and international Cordaid staff shall be familiar with the procedures and work processes provided by Cordaid, including measures for the prevention and detection of corruption. Cordaid operates a quality management system, whereby the following elements are important:
 - ➢ ISO 9001:2008 certificate
 - ➢ Internal and external audits

> ➢ Quality Handbook (establishing all work processes)
> ➢ Protocols & Guidelines
> ➢ Field Office Manual

Knowledge of current processes, protocols and guidelines may already have a preventive effect, since the organisation displays a focus on the prevention and detection of corruption.

### *Decision-making*

Corruption can be prevented and deterred by segregating duties with regard to the authorisation of decisions, the implementation of decisions and the internal control of the decisions.

The basic rule is that the person authorised to take the (financial) decision is not the same person who carries out the decision nor has the control over these decisions. For an adequate segregation of duties Cordaid has the following rules:

> ➢ Procedures and work processes covering attributed responsibilities (see also hereafter: the quality handbook);
> ➢ The person who approves new partner-project combinations is not responsible for the application, implementation and control;
> ➢ Standard job descriptions based on dual management of projects and offices;
> ➢ Purchase procedure including gradual responsibility with regard to decision-making and the independent assessment of suppliers and consultants;
> ➢ Periodical review of the management capacity of the implementing partners also for the purpose of decision-making on the (next) project funding;
> ➢ A workflow system which separates functions regarding application and approval;
> ➢ Risk analyses on several levels in order to indicate, among other things, risk of corruption;
> ➢ Internal and external audits to check compliance with prescribed procedures and work processes at the head office and (operational field) offices.

### *Resource Management*

Procedures should be in place to enable the organisation to check whether resources and financial resources in particular, are effectively applied or used for the intended objective.
Cordaid's accountability system can be broken down in the following components which are also included in the contract agreements of the implementing partners:

> ➢ Budgets including spending targets
> ➢ Keeping records of transactions in financial systems
> ➢ Periodical submission of financial and narrative reports
> ➢ Free access for the auditors to supporting documents
> ➢ External and internal financial audits
> ➢ Evaluations

A preventive effect is ensured by including the above-mentioned measures into the contract agreements which gives Cordaid the opportunity to take appropriate action in the event of corruption.

### *Result Management*

In the broadest sense of the word, corruption may be defined as misuse of resources, in other words the use of resources falls outside the scope of the intended objective as agreed in the contract. As a consequence, it is important to lay down in advance what should be achieved and will be achieved with the help of the funds provided. Cordaid is working with following principles of result management:

> ➢ Progress monitoring through pre-defined indicators and budgets (within Cordaid as well as for each contract between Cordaid and implementing partners )
> ➢ Monitoring and evaluations of results (idem)

*Code of Conduct*

All staff members working at Cordaid's head office and field offices are expected to fully subscribe to the Code of Conduct before starting their employment. The Code of Conduct clearly addresses corruption as wrongful behaviour. As such, Cordaid's policy on corruption is explicitly pointed out to Cordaid's staff.

The Code of Conduct forms part of every financing agreement with the implementing partner and/or consultant. Prior to receiving the funds, each implementing partner and consultant implicitly agrees by signing the contract to comply with the Code of Conduct during the implementation of the activities.

*HRM Policy*

Two elements are important with regard to the link between HRM and corruption: personnel selection and training. Transparency and fairness are essential throughout the process of personnel recruitment ensuring a defined set of competencies and objective selection procedures. During recruitment and training, personnel should be familiarised with Cordaid's mission and vision and all applicable procedures and guidelines (including anti-corruption measures). Cordaid supports this process by providing for:

> ➢ procedure for the introduction of new staff (incl. training to strengthen necessary competencies);
> ➢ transparent and documented selection procedure;
> ➢ objectivity through shared decision-making on recruitment (see also "Decision-making").

## Detection

Cordaid has put in place all preventive measures mentioned above, but Cordaid has also implemented procedures for the detection of corruption:

> ➢ Regular reporting by implementing partners and consultants and assessment of the (financial, activities and audit). After approval of the reports, payment will be made in instalments;
> ➢ Audits:
>> o Internal operational and financial audits;
>> o External audits (according to pre-defined guidelines and requiring qualified external auditors);
>> o Ad hoc audits (internal and external): to reveal indications of corruption.
> ➢ Evaluations;
> ➢ Regular visits to implementing partners and projects.

*Reporting corruption/whistleblower*

For the detection of corruption, it is important that people, personnel and volunteers of Cordaid and persons outside Cordaid who come across cases indicating corruption, are able to report it. For personnel and volunteers it is also important to protect these people. A report of (presumed) corruption may never have a negative effect on the person that submits the report. A lack of confidence in the capacities of personnel and volunteers to give protection may have a negative impact on the detection of (presumed) corruption. For that purpose, Cordaid has taken the following measures by:

> ➢ Providing for the complaint procedure;
> ➢ Setting up a system of confidential counsellors;
> ➢ Providing for the Whistleblowers Code;
> ➢ Providing for policy on (un)wanted conduct (describing how to deal with complaints from staff and how to deal with gifts and/or compensations received from third parties.

## Correction: actions and sanctions

Actions will follow in case of (presumed) corruption. If those actions reveal fraudulent acts, sanctions will be imposed. Sanctions are imposed for two purposes:

1. Disciplinary reasons: demonstrating that corruption is not tolerated and has consequences. Sanctions support prevention;

2. Mitigation: minimising the harm to the programmes and the organisation (with respect to financing, reputation and security).

In the following paragraphs the actions and measures are outlined which are applied by Cordaid. The policy applies to the whole of Cordaid, its personnel, volunteers and consultants. The following actions and sanctions are not exhaustive.

Definitions

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|---|---|
| Implementing partner: | Organisation involved in the Cordaid programme or project based on a signed contract (including the members of the alliance) |
| Operational (field) office: | Office abroad under responsibility Cordaid |
| Personnel: | paid staff members, including expats, and volunteers working for Cordaid |
| Supplier: | Organisation supplying goods in conformity with the purchase agreement for the benefit of the programmes of Cordaid |
| Consultant: | Expert providing services to Cordaid for the benefit of the programmes of Cordaid |
| Sanction: | Intervention or action due to the failure to perform to the obligations under the agreement. |

### *Actions in case of presumed corruption*

#### Implementing partner/supplier

Cordaid staff members who are confronted with (presumed) corruption, shall report the case to the Manager of the Business Unit, the Controller, the Specialist Quality & Control and the Director. Payments to the implementing partner/supplier will be withdrawn immediately and the implementing partner will be added to the black list in Prima; the system cancels any newly released payments. In case any payments have already been released in the meanwhile, the Manager of the Finance & Control Department will contact Cordaid's reference banker and reclaim the payments in process. The implementing organisation will be contacted in writing by the Manager of the Business Unit and informed that all further payments have been put on hold and that:

- either, the agreement will be terminated, the grounds for this decision are motivated; often the main reason is that in all fairness it cannot be expected from the implementing partner/supplier to perform the activities under the agreement and to achieve the intended results ;
- or, Cordaid will request the implementing partner/supplier to clarify the situation before the resumption of payments can be considered.

Prior to implementation, both decisions need to be approved by the Manager of the Business Unit in charge.

#### Operational (field) office

In the event of corruption being suspected at an operational office, the above-mentioned information loop will be followed. Subsequently, the relevant Programme and Financial Officers of the project team will be appointed and with the Specialist Quality & Control will make up, the team responsible for the investigation;

The team's assignment is to draw up a proposal on the next steps to be taken with regard to the organisation's staff and the kind of investigation (internal and/or external) to be conducted. The proposal may include:

- suspension of staff
- provision of replacement staff
- launching an internal investigation
- conducting a fraud/corruption investigation by an external agency

### Personnel and consultants

The application of the whistleblower code is preferred when staff is involved in acts of corruption.

### *Sanctions involving corruption*

#### Objective

Sanctions are applied for two reasons in order to a) enforce compliance with signed agreements, and b) adverse the effects of non-compliance regarding the implementation of the programme in question and other programmes. Cordaid shall always take into consideration the interests of the beneficiaries of the programme when sanctions are imposed.

Cordaid's objective is to focus more on preventive measures rather than being forced to apply corrective measures. Therefore it is important that the signing parties agree and understand the contents of a realistic contract agreement. Each action which is carried out by implementing partners, staff members, volunteers, suppliers or consultants and which are not in accordance with the terms of the contract, need to be addressed.

#### Implementing partner/supplier

After the investigation (by way of an audit or investigation by the project team), the project team and the Manager Business Unit and the Controller/Specialist Quality & Control present their recommendations. Subsequently, the Manager Business Unit decides either to end the relationship or – after taking corrective measures – to continue the relation with the partner/supplier. The Controller may advise the Board of Directors to reconsider the decision from the Manager Business unit if it is not in accordance with the recommendations.

The conditions laid down by Cordaid for the continuance of the relationship, include:
- the extent of the damage has been established by Cordaid or a third party, and accordingly action has been taken by the implementing partner/supplier;
- compensation for the damage sustained;
- the implementing partner/supplier has reported the matter to the police;
- the implementing partner/supplier noticeably improved the internal organisation/control;
- other 'guilty parties', if any, are suspended or dismissed.

If the contract is terminated for the reason that the implementing partner/supplier has not taken any measures, the so-called 'naming & shaming method' applies if possible, in order to prevent any future acts of corruption. In other words, Cordaid places a notice in the newspaper in the country of the organisation's head office. Cordaid shall seek compensation for any loss or damage suffered from the partner/supplier by means of a legal procedure.

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### Operational (field) office

The following actions are taken if the investigation initiated confirms the corruption:

- dismissal of the personnel involved
- report the acts of corruption to the local police (if possible)
- inform Cordaid's communication department for a publication through a press release

After the investigation (by way of an audit or investigation by the project team), the project team and the Manager Business Unit and the Controller and Board of Directors present their recommendations. Subsequently, the Board of Directors decides on the measures to be taken.

### Staff and consultant

In the event of corruption committed by Cordaid's staff members, the Board of Directors decides on the actions to be taken in consultation with the line manager and manager HR. Any failure to comply with prior agreements will be confirmed in writing. Any disciplinary action to be taken depends on the nature of the unwanted act and includes a written warning or dismissal and legal action. The Board of Directors is responsible for the final decision.

In the event of corruption committed by a consultant, Cordaid cancels all payments and seeks annulment of the contract. Furthermore, the consultant will be blacklisted in Cordaid's database for consultants (accessible via "Start/All programs/Access/Consultants") to prevent him or her from being assigned to any missions in the future.