



Anti-corruption policy for LHL International staff and partners

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1. Anti-corruption policy

This section deals with background, responsibilities and definitions.

LHL International (LHLI) takes an active stance against all forms of corruption with a zero-tolerance position. This entails that LHLI will work actively with the *prevention* and *detection* of corruption.

It is expected that all staff and Partners strictly adhere to this Anti-corruption Policy and established procedures and acknowledge that it is a corrupt act not to report suspicions of corruption. Staff is in this context defined as LHLI employees, executive board members, consultants, volunteers and individuals working under the LHLI name.

Combating corruption effectively and sustainably is a long-term process that requires time. LHLI view the anti-corruption activities as a means of strengthening our own organisation and those of our partners, and LHLI seeks to be an advocate and partner for discussion in all stages of these efforts. These efforts are an integral part of promoting a healthy organisational culture, transparent financial management and trustworthy leadership.

Definitions

To be able to detect and react adequately to all possible cases of corrupt practices, it is necessary to establish clear definitions of corruption. A concerted effort to combat corruption must be based on a common understanding of the meaning of corruption in the various countries and cultures where LHLI work. A broad definition is needed so as not to overlook important aspects of corruption as a phenomenon. A simplified definition of corruption is *"The misuse of entrusted power or funds for one's own private benefit or for the benefit of family or friends."* or *"the abuse of entrusted power for personal gain."*

Corruption occurs in many forms, for example:

- **Bribery:** The offering, promising, giving, accepting or soliciting of money, gifts or other advantages as an inducement to do something that is illegal or a breach of trust while carrying out an organisation's activities.
- **Embezzlement:** Theft of resources for personal benefit.
- **Extortion:** Threatening someone to obtain money, services or goods.
- **Fraud:** The deceit or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage.
- **Favouritism:** The unfair favouring of a person or a group at the expense of others, including nepotism which is favouritism shown to relatives.
- **Maladministration:** Mismanagement or financial misconduct in handling or reporting of money, financial transactions or other assets.



Corruption is not limited to financial irregularities but extends to breaches on the SEAH (Sexual Exploitation, Abuse and Harassment) requirements outlined in the Code of Conduct document read and signed by all staff and Partners. Examples on breaches of SEAH requirements are

- Sexual comments about the body or appearance
- Simulation of sexual movements
- Groping, fondling or touching
- Sexual violence or abuse

LHLI requires that all partners and other actors receiving project funding through LHLI, whether directly or via intermediaries, adhere to a consistent practice of accepting no form of corruption.

LHLI actively advocates that any organisation that receives funding must fulfil its reporting obligations and manage the allocated funds in accordance with applicable agreements and legislation.

With the definition and examples above in mind, LHLI acknowledges that there are situations and contexts where it is hard to determine whether the suspected incident or practice is a result of lack of capacity and/or competence, or if it is a deliberate misuse of power and/or funds. This policy and its guidelines, with procedures for reporting, investigating and reacting should when appropriate be used in a capacity building manner, rather than as a reaction to reported incidents only.

Zero-tolerance

Zero tolerance means no tolerance whatsoever; even small amounts must be investigated and suspicions reported. All detected incidents, or suspicions of incidents will be reacted upon, and the action taken will be in accordance with our policy and regulations, local legislation, and the context and nature of the incident.

Roles and responsibility

It is the responsibility of the Director of LHLI that all elements in this document are implemented. It is also the Director's responsibility to ensure that all staff know the content of this Policy and have sufficient knowledge to implement the policy tools in their daily work, along with the needed framework.

Anticorruption policy tools

LHLI's Anti-Corruption Policy contains four tools:

- Corruption Risk Management System – tools for preventing and detecting corruption
- Alert raising procedure – procedure for reporting corrupt practices when detected, and whistleblower policy



- Handling cases of corruption – guidelines and procedures for detecting, information and communication, reporting, investigating, reacting, and closing
- Code of Conduct – refers to the Code of Conduct document signed by all staff and partners



2. Corruption Risk Management System

Effectively combating corruption requires sound, stringent financial management. However, a successful strategy can rarely rely on control and sanctions alone. The principle of recipient responsibility is based on trust and the recipient's doing it's outmost to carry out projects and programmes according to plans, agreements and applicable regulations.

Donor control must therefore find a balance between efficiency, local ownership and adequate follow-up. Successful practices depend on the ability of employees and management to analyse situations in terms of regulations, the organisation's philosophy and relevant external requirements. A variety of instruments is needed to ensure balance between control, sanctions, training and dialogue. Transparency and access to information are essential tools.

Measures that identify corruption risks

An important step in combating corruption is *awareness* of where and how it may occur, at different levels.

Country and sector analysis

A thorough qualitative analysis of the specific corruption situation is necessary to give a clear idea of the level of practice and acceptance of corruption in the country of operation. This is to be considered an awareness tool.

In relation to the process of applying for funds to any donor, the country analysis is to contain a paragraph regarding the corruption situation of the country and sector. External resources, such as Transparency International's Corruption Perception Index and the World Bank Worldwide Governance Indicators, can be used to build a corruption risk profile.

Other necessary background information may already exist in the public domain in the form of analytical reports by national or international organisations. It is the responsibility of LHL's Director to ensure that this is in place.

Partner analysis

The selection of reliable and reputable partners is recognised as one of the most important processes in achieving programme impact. The aim of a partner analysis is to make the Project Advisor able to identify, monitor and intervene on vulnerable points, and to plan for necessary strengthening where needed.

Internal control assessment

To identify potential risk areas within the management systems, the tool "Internal control assessment" is to be used to evaluate all partners of LHLI.



This tool also suggests different action points for each risk area. The result of the assessment should be an annual plan on how to strengthen each partner's internal control; including the specific measures that are to be made to reduce the risks that are identified, by whom and when.

Administrative Handbooks and Guidelines

- Financial guidelines for LHLI partners
- Auditors guide
- Templates and forms

Measures to reduce corruption risks (opportunities for corruption)

LHLI have guidelines and structures in place to deter staff and partners from engaging in unethical behaviour. It is the overall responsibility of the Director and Project Advisor that the guidelines and procedures are followed throughout the projects and programmes.

Recruitment procedures

LHLI's policy on recruitment, hiring and contractual relation, states that all vacancies, permanent or temporarily, are to be announced on the internet. Only qualified candidates should be called for interview.

The panel conducting the interview should decide between them who will be offered the job, but no job offer must be made until the process is concluded. In cases of conflict of interest, members of the panel are to remove themselves from the hiring process.

Financial management (handbooks and requirements)

A mutual understanding of the content and requirements outlined in LHLI's Financial Guidelines, assures transparency and efficiency within the accounts and the financial management systems.

Partners are committed to develop their own Financial Guidelines, making sure that the principles in LHLI's Financial Guidelines are followed. Special attention should be given to timely cash and bank reconciliations, segregation of duties, handling of vouchers and documentation and timely reporting.

Contracts and Code of Conduct

The main areas of financial handling are described in the Partnership agreement between LHLI and partner. The Code of Conduct is an appendix to this agreement, addressing and outlining the obligations each LHLI staff and partner have in taking an active stand against corruption.



The Code of Conduct is to be signed, and the content is to be discussed with each partner. In addition, the partner is encouraged to develop their own Code of Conduct, including employees from all levels of the organisation in the process.

Project documents

Programme/project plans and proposals should always outline LHLI's corruption risk mitigation efforts as part of the description of risks and assumptions for the achievement of the programme/project objectives.

Programme monitoring routines

During regular programme follow-up visits to projects, financial management and anti-corruption measures must be discussed and included in the Terms of Reference for each visit. Also, tools such as "Review of financial management and accounting procedures during project visits" should be used to systemise the monitoring of financial management.

Financial reviews

A financial review should be carried out by the financial advisor for all partners during a programme period, or when needed. The objective is a thorough quality assurance with regards to the financial handling. The final report is shared with the partner, and action points for further follow-up is included in the work plan by the Project Advisor.

Anti-corruption training for partners and staff

Anti-corruption is to be thematically discussed internally when needed, and at least twice a year.

All LHLI partners are to go through workshop/dilemma training on anti-corruption at least once during a program period.

Also, a work-plan on how to continue the anti-corruption work within the organisation should be established with each partner.

Regular Audits

A general requirement states that all projects shall undergo an audit. This is to be done at least on an annual basis, or bi-annually or quarterly if found necessary.

The auditing firm must be certified public accountant (CPA), meeting the professional requirements for accounting, auditing and law. Meetings between LHLI representative and auditor should be held once a year.

Sanctions

As stated in Guidelines for handling corruption below, any LHLI staff suspected of corruption will



receive an immediate reaction based on the severity of the suspicion, within the regulations outlined in “Arbeidsmiljøloven”.

If the allegations are directed at a LHLI partner, immediate reaction can imply freezing of funds while the investigation takes place. LHLI will also report corrupt practice to relevant judiciary body.

Measures to detect corruption

Reporting and whistle-blowers: All LHLI staff are obliged to report any unethical behaviour they may encounter in connection with the programme, including incidents of corruption. It is an act of corruption not to report suspicions of corruption.

LHLI staff should report to the Director, or to the Board if the Director is involved. They may report anonymously but are encouraged to make their identity known to ease the investigation. More information on how to report are found in sections 3 and 4.

LHLI partners are also obliged to report incidents of corruption. Partners and members of the public can report to the Director or to the Board if the Director is involved. Partners can also report through a relevant Project Advisor if this is preferable.

The LHLI website provides information on how to report suspicious acts, including how to report anonymously. LHLI should not disclose the identity of any whistle-blower, whether the person has made the allegation anonymously or the identity is known to LHLI, unless LHLI obtains the whistle-blower's explicit consent.

Monitoring and evaluation may, as well as being a method in reducing corruption risk, also be a tool in uncovering corruption. As outlined above all LHLI projects should undertake regular monitoring and evaluation, and LHLI's tools and templates are developed to include measures for detecting corruption risks in projects.

Implementation

- Anti-corruption briefing – introduction to new staff and at least twice a year for all employees.
- Lessons-learned from all detected cases are to be shared and discussed internally with all employees.
- General efforts to fight corruption as well as detected cases are to be published annually on LHLI's website.



Potential reasons for alert

Accounting / Procurement

- Long-lasting problems of keeping financial records up to date
- Bank or cash accounts reconciliations that are not present or checked by senior staff, or have out-dated open postings
- Bank or cash reconciliations missing supporting documents or management signatures
- Bidding procedures not followed
- Vouchers that look suspicious
- Payments that lack supporting documents
- Payments made to agents or other indirect payments
- Costs are out of proportion
- Large cash payments

Payroll, allowances and benefits

- Extended use of travels and per diems, for example for training
- Frequent use of salary advances
- Pension and tax schemes paid according to "home-made" system, lack of documentation
- Lack of transparency regarding salary and allowances policies

Partner cooperation

- Agreements from reports and meetings are not being followed up
- Reports received are not adequate and lack necessary documentation
- Audit reports and/or management letters from auditors show reasons for concern
- Lack of progress in project activities
- Occurrences in the project accounts that are hard to explain
- Change of auditor without explanation
- Dubious management system, lack of internal control routines
- Lack of segregation of duties
- Individual dispositions/access rights to accounts
- Lack of separate project accounts for easy identification of grants
- Bank reconciliation does not match the accounts
- Annual statement and audited statement differ
- Actual salaries differ from budget, specifically when concerning managers
- Lack of signatories on the annual statements of accounts



Other areas that should trigger alert

- Anonymous reports – whistleblowers
- Employees who never take holiday
- Engagements and contracts given to close contacts or family members or friends
- Employees show sudden changes in lifestyle, like a new car, expensive clothes, travels, etc.



3. Alert-raising

LHLI encourages all staff and partners to react to and report corrupt practices. To be able to do so it is of vital importance to have an easily accessible procedure to follow upon suspicion, or detection of possible misuse of power or funds, or irregularities.

Partners are obliged to alert LHLI immediately upon suspicion of corrupt practices.

LHLI is obliged to alert Norad immediately upon suspicion of corrupt practices.

Filing a report

Any person, whether employed by LHLI or not, may report allegations of corruption. Allegations may be reported anonymously.

Staff are encouraged to report through the Director, unless the Director is involved, in which case one should report to a Member of the Board.

Persons not employed by LHLI may report to a Project Advisor they find suitable or directly to the Director.

Anyone filing a report should include as much relevant information as possible to help shed light on the allegations. However, the whistleblower is not the investigator and should not attempt to gather evidence that are not easily at hand, nor, under any circumstances, break the law to obtain such evidence.

It is encouraged that reports are made in writing, but they may be made orally.

Detailed and up-to-date instructions on how to report can be found on the LHLI website, including phone numbers, e-mail addresses and postal addresses for where to report.

Whistleblowers

A whistleblower is any person who reports allegations of corruption or other misuse of power of funds. A whistleblower may make their own identity known to LHLI when filing the report, or report anonymously.

LHLI should not disclose the identity of any whistleblower, whether the person has made the allegation anonymously or the identity is known to LHLI, unless the organisation obtains the whistleblower's explicit permission to do so.

Harassment for reporting allegations of corruption will not be tolerated. LHLI's zero tolerance to corruption implies reaction to corruption, but to limit the impact for those directly involved, and to avoid unnecessary damage to innocent parties.



Still, the risk that projects could be put on hold or terminated is inevitable, and a potential whistleblower might be reluctant to report due to the risk of losing his/her employment. LHLI emphasises the importance of early detection of irregularities, to be able to react before major damage is done and thus reducing the risk of closing of programmes and projects.

LHLI will assess the allegation and consider whether to launch an investigation and further notice. A whistleblower should be told within reasonable time of reporting an incident whether an investigation will be launched.

The identity of the subject who is the focus of the investigation should be confidential. The person does however have the right to be informed about the allegations.

Anyone called in to give evidence in the investigations must cooperate. They should refrain from disclosing the investigation or their testimony to anyone not connected to the investigation.

False reports

Anyone reporting an allegation of corruption should do so in good faith. If an allegation is found to have been made with malicious intent, LHLI may report the incident to the relevant judiciary body.



4. Handling cases of corruption

These guidelines follow a six-step procedure for handling detected cases of corruption.

Step 1 – Detecting

Corruption can be detected within any area of LHLI's operations, potential reasons are listed in section 2. That list is not exhaustive but gives some indications of areas where corruption is more likely to emerge.

Upon suspicion of corrupt practice, the suspicion must immediately be reported to LHLI, as outlined in section 3.

Detecting consists of finding out the severity of the matter, and plan for further reporting or closing. If it is evident that the allegations do not hold substance, there is no need for further investigation. Nevertheless, it is still important to be aware of who has received information, who is involved, what damage could have been made, and how to act accordingly. A note to file should always be made, using the form "*Alert-raising – incident report form*", that will be filed by LHLI.

If the reported case is considered to hold substance, further action should be taken immediately. A general guideline is to report to the Director. Then it should be determined which donors are possibly involved, to decide who to report to next.

All information and actions taken should be properly logged.

Step 2 – Information and communication

Staff should be informed about the incident prior to public disclosure, at the latest when an investigation has been launched.

The preferred strategy for communication is public disclosure of the incidents at LHLI's own initiative as soon as the case is concluded. Having a corruption case independently "discovered" by the media creates impression of concealment and dishonesty, which ultimately cause far more harm in the long term.

Step 3 – Reporting

Reporting means the action taken by the Project Advisor or Director receiving the alert from staff or a partner. The correct way to report the matter will vary, according to donor. Norad requires that any suspicion of corrupt practice is reported without undue delay, meaning that any suspicion found to be worth following up should be reported immediately.



Reporting to donors should always be done by the Director, using the report format appropriate for each donor.

All information, notes on action taken, reports, correspondence and minutes from meetings should be properly logged.

Step 4 – Investigating

The Director, in dialogue with the donor, decides on the measures to be made for investigating the matter.

The Director, Project Advisor and Finance Advisor are to form an opinion on what has taken place from the available information and should decide if an external firm should be hired to do the investigation.

If an external firm is to be hired to conduct all or part of the investigation, a Terms of Reference should be drawn up, describing the scope and outcome of the mission.

If it is decided not to conduct an external forensic audit, an internal audit should be carried out. In such cases, it is possible to involve the contracted, local auditor to take part and give advice. This must be decided for each case.

The investigation should be initiated immediately, with a clear and tight time frame, but not compromising the quality. The donor should always be kept informed. The investigation should always conclude with a written report with recommendations. Also, it is important that all minutes, correspondences and documentation of findings, are properly logged.

Step 5 – Reacting and acting

Immediate reactions

LHLI staff

LHLI staff suspected of corruption will receive an immediate reaction based on the severity of the suspicion, within the regulations outlined in “Arbeidsmiljøloven”. This includes access to offices, computers, software etc. Salary and benefits can be stopped during investigation.

LHLI partner organisations

An immediate reaction towards a partner organisation will imply the freezing of funds while the investigation takes place.



Freezing of funds should not necessarily take place if the irregularity concerns only one or a few identified employees within the organisation, or when the partners' management immediately takes responsibility to suspend the involved persons.

If it is evident that freezing of funds would affect payment of salaries to innocent employees and seriously harm their families, or other serious consequences of freezing of funds are evident, other solutions should be elaborated. This should always be done in dialogue with the involved donor. The aim is to find the best reaction without harming the organisation or its employees and/or the project objectives more than necessary.

At the initial phase the most important is to make sure that evidence is not lost, and that further irregularities will not take place.

Reactions based on documentation/investigation

An investigation will document the facts of the matter, and give recommendations on how to react, or indicate an appropriate reaction. Based on this, different reactions, or combinations will be decided. The general guideline is to report documented corruption to the police, but consideration to the country context should be made.

Reimbursement

A claim for reimbursement should be made if misuse of funds is documented, regardless of the reason for misuse. In most cases funds are to be reimbursed back to the donor.

Misuse of funds must be clearly documented in one of the following ways:

- A criminal case is established
- A civil action case is established
- There is an unconditional right to claim reimbursement in a contract or agreement with the counterpart / partner
- The incident is admitted by the responsible part
- The misuse is considered highly probable and well documented in the investigation

Civil Action

Civil proceedings to claim reimbursement, could be instituted if the partner concerned refuses to settle.

Cancellation of claims

If there are not sufficient funds available to reimburse the misused amount, the claim could be cancelled. Still, the back donor will usually claim reimbursement from LHLI.



Criminal proceedings

Once an occurrence of financial irregularities has been documented with a sufficient degree of probability, LHLI should consider reporting the case to the relevant prosecuting authority.

The relevant prosecuting authority (police or other relevant entities/ministries), and the country in which the matter should be reported must be considered in each individual case. In deciding whether or not to initiate a prosecution a close assessment of the legal system in the country where the judicial proceedings would take place must always be made, to determine if the legal system functions in accordance with fundamental principles of due process.

It is important to assess whether judicial proceedings could lead to any forms of punishment not accepted in Norway (like torture or death penalty), how long the process could be and the costs involved in such a process.

LHLI employees

For LHLI employed personnel, disciplinary measures may be called for. All employees sign the LHLI Code of Conduct, which clearly states that “The punishment for corruption is fines or imprisonment for up to 3 years, the same holds for accomplices. Severe corruption can be punished up to 10 years imprisonment, the same holds for accomplices.”

LHLI partner organisations

Cooperation with partner organisations must be terminated if it has been confirmed that the partner has failed to comply with the terms of the agreement and failed to show the necessary willingness and ability to rectify the matter.

If it is clearly documented that there has been a fundamental change in the partner's attitude and practices regarding financial irregularities and that the necessary control systems are now in place, resuming cooperation could be considered.

In many cases, the activity that has generated suspicion will concern only part of a partner organisation, and LHLI should assess the causes of what went wrong before deciding whether to continue the partner cooperation or not. Before resuming full cooperation, LHLI should make sure that everything possible has been done to rectify the reasons for the financial irregularities and ensure that they will not occur again. Rectifying corruption risks should take precedence over the need to continue an activity.

Non-financial irregularities

Corruption will not always imply financial irregularities. Misuse of trusted power, such as nepotism, could have financial aspects, but the actual amount involved is not easy to determine. Also, sexual abuse is considered misuse of trusted power and should always be reacted upon, as outlined about SEAH in the Definitions part in section 1.



Closing

All documents relevant to the case will be filed properly at LHLI's digital storage space. This includes documents with proper logging of all actions and decisions throughout the process, from detecting an incident to closing the case.

All files should be handled as confidential. Following the closing of a case, there should be a review with the aim of minimising risk of future incidents, drawing on the lessons learned from the specific incident. This should be shared with all LHLI employees.

Through the cooperation with Norad, LHLI are obligated to report all suspicion of or cases of corruption and irregularities to the corruption unit at Norad. Also, an annual reporting of anti-corruption measures and cases are to be published annually on LHLI's website.



5. Code of Conduct

To address and outline the obligation to take an active stand against corruption, we refer to the Code of Conduct document read and signed by all LHLI staff and LHLI partners, covering requirements about integrity, SEAH, discrimination, transparency, ethical and accountable use of financial and other resources as well as misuse of position for personal gains.