

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

**Technical Annexes to the 2016 Recommendation of the Council for Development
Co-operation Actors on Managing the Risk of Corruption: Compendium of Existing
Practices**

This document is available in PDF only

These Technical Annexes are a complement to the Compendium of Existing Practices [DCD/DAC(2017)39] which was prepared to support the implementation of the 2016 Recommendation of the Council for Development Co-operation Actors on Managing the Risk of Corruption [COM/DCD/DAC/DAF/WGB(2016)1]. The Compendium provides practical examples of tools and mechanisms for managing corruption risks that are in use in the development cooperation agencies of Adherents. The selection of examples presented is not comprehensive, but it offers illustrations of the kinds of policies, frameworks and management tools Adherents use to support their approach to managing the risks of corruption in development cooperation. Policies and tools are described broadly, with specific examples given, rather than a presentation of complete documents. In every possible case, links to the full document are provided, and some additional documents not available online are provided in this separate Technical Annexes document.

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JT03424913

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ANNEX 1. New Zealand Code of Conduct and LES Version

Code of Conduct
2013 Edition

Published by:
Ministry of Foreign Affairs and Trade / Manatū Aorere
Private Bag 18 901
Wellington
New Zealand

This edition will be reviewed in 2018

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ISBN: 978-0-477-10236-0



NEW ZEALAND
FOREIGN AFFAIRS & TRADE

Standards of Integrity and Conduct for the State Services

STANDARDS OF INTEGRITY & CONDUCT

A code of conduct issued by the State Services Commissioner under the State Sector Act 1988, section 57

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga



WE MUST BE FAIR, IMPARTIAL, RESPONSIBLE & TRUSTWORTHY

The State Services is made up of many organisations with powers to carry out the work of New Zealand's democratically elected governments.

Whether we work in a department or in a Crown entity, we must act with a spirit of service to the community and meet the same high standards of integrity and conduct in everything we do.

We must comply with the standards of integrity and conduct set out in this code. As part of complying with this code, our organisations must maintain policies and procedures that are consistent with it.

For further information see www.ssc.govt.nz/code



FAIR

We must:

- treat everyone fairly and with respect
- be professional and responsive
- work to make government services accessible and effective
- strive to make a difference to the well-being of New Zealand and all its people.

IMPARTIAL

We must:

- maintain the political neutrality required to enable us to work with current and future governments
- carry out the functions of our organisation, unaffected by our personal beliefs
- support our organisation to provide robust and unbiased advice
- respect the authority of the government of the day.

RESPONSIBLE

We must:

- act lawfully and objectively
- use our organisation's resources carefully and only for intended purposes
- treat information with care and use it only for proper purposes
- work to improve the performance and efficiency of our organisation.

TRUSTWORTHY

We must:

- be honest
- work to the best of our abilities
- ensure our actions are not affected by our personal interests or relationships
- never misuse our position for personal gain
- decline gifts or benefits that place us under any obligation or perceived influence
- avoid any activities, work or non-work, that may harm the reputation of our organisation or of the State Services.



Introduction

Overview

This Code of Conduct (the **Code**) prescribes the standards required of representatives of the Ministry of Foreign Affairs and Trade. It is based on the *Standards of Integrity and Conduct* issued by the State Services Commissioner under the [State Sector Act 1988, section 57](#). These Standards, shown at the front of this Code, set out minimum standards of integrity and conduct that apply to State servants, and provide a basis for more detailed codes of conduct and associated policies and procedures that are required to meet the particular circumstances of individual State Services entities. The four core attributes outlined in the Standards have been used to provide a framework for this Code. They are:

1. Fairness
2. Impartiality
3. Responsibility
4. Trustworthiness

The Code also reflects the Ministry's values of Professionalism, Leadership, Respect, Collaboration and Innovation.

Application of this Code

The Secretary of Foreign Affairs and Trade is required by sections 56 and 57 of the State Sector Act 1988 to ensure that all Ministry employees maintain proper standards of integrity, conduct and concern for the public interest. In addition, under the Foreign Affairs Act 1988, the Secretary is responsible for promulgating codes of conduct to govern State servants at New Zealand missions and posts overseas. Pursuant to those Acts, this Code binds all employees of the Ministry of Foreign Affairs and Trade, whether working in New Zealand or overseas¹, and all persons assigned by other departments and agencies to New Zealand missions and posts overseas.

It is also expected that persons seconded to the Ministry's New Zealand offices by other departments and agencies will also comply with the requirements of this Code.

Where a person assigned or seconded by another department or agency continues to be employed by that department or agency, the provisions of that department or agency's code of conduct will continue to apply to that person to the extent that the code is stricter and/or there is no conflict with the provisions contained in this Code. If any conflict should arise, the authority of the person's manager (where the person is seconded to the Ministry's New Zealand offices) or the Head of Mission (where the person is assigned to a mission or post overseas) will take precedence while the Ministry and the relevant department or agency work to resolve the matter².

This Code also applies to consultants and contractors engaged by the Ministry, including those engaged through companies and recruitment firms, and will form part of their terms of engagement. In some circumstances³ this Code is also applicable to family members of Ministry employees.

¹ Note however, that this Code does not apply to locally engaged staff (LES). LES are employed by the relevant post or mission and are therefore not considered "Ministry employees".

² See Authority of the Head of Mission, Section 3.42 – 3.44.

³ See sections 3.47, 3.48, 3.52, 3.53, 4.29 and 4.39

Thus, this Code applies to all of the following groups:

1. Ministry employees working in New Zealand;
2. Ministry employees working overseas at a New Zealand mission or post (excluding locally engaged staff);
3. employees of other departments and agencies assigned or seconded to the Ministry, whether working in New Zealand or overseas at a New Zealand mission or post;
4. contractors and consultants engaged by the Ministry, including those engaged through companies and recruitment firms; and
5. in certain circumstances, family members of Ministry employees.

For the remainder of this document, the term “**employee**” will be deemed to include all of these groups. Similarly, the term “**employment**” will be deemed to include the engagement of contractors and consultants and the assignment or secondment of employees of other departments or agencies.

The Ministry will provide a copy of the Code to all new employees on commencement of employment, and will advise employees of the application of the Code to them and provide further copies on request.

Letters of Expectation to Heads of Mission and Heads of Post include reference to the Code. Where a Head of Mission or Head of Post is not an employee of the Ministry (for example, a Trade Commissioner appointed as Consul General), his/her Letter of Expectation similarly includes reference to the Ministry’s Code and the respective department’s or agency’s Code.

The Ministry will provide on request any clarification required by employees concerning the effect of provisions in the Code and provide such guidelines and training as may from time to time be appropriate. The relevant contact point in the Ministry is the Audit and Risk Division (AUR).

Breach of this Code by any person bound by it may constitute misconduct, depending on the circumstances, and will be viewed seriously by the Ministry. Any breach may lead to disciplinary action including immediate withdrawal from an overseas assignment, limitation of future employment opportunities, dismissal from employment or termination of a contract, or prosecution.

1. Fairness

Respect for the rights of others

1.1 Employees have a duty to treat all their colleagues and the public with courtesy and respect. In meeting this obligation, employees are expected:

- not to engage in behaviour that might endanger or cause distress to other employees, or otherwise contribute to disruption of the workplace
- to refrain from allowing workplace relationships to affect adversely the performance of official duties
- to respect the privacy of individuals when dealing with personal information, and to manage such information in a professional manner
- not to discriminate against or harass others because of their sex, marital status, family status, ethnicity, race, colour, age, sexual orientation, disability, political opinion, religious or ethical beliefs, or employment status
- to respect the cultural background of others in all official dealings
- to have due regard for the safety of others in the use of Ministry property and resources.

1.2 Employees shall conduct themselves in a polite, friendly and helpful manner at all times.

Workplace harassment

1.3 Harassment, discrimination, or bullying in the workplace are not tolerated by the Ministry. Such behaviour may result in a complaint being made to the Human Rights Commission or the Employment Court against individual(s) and/or the Ministry.

1.4 The Ministry issues [specific policy guidelines](#) on workplace harassment that aim to provide a healthy, safe, respectful and professional working environment for all employees, and for locally engaged staff at posts. Internal procedures are in place to deal with cases of harassment.

1.5 Workplace harassment is defined as any unwelcome verbal or physical behaviour, conduct or display of material that has no legitimate workplace function and that offends, humiliates or intimidates another workplace participant. It may involve the actions of an individual or a group. It involves unwelcome behaviour from a colleague, manager, employee, member of the public or a person whom an employee meets in his/her official capacity. Harassment includes unwelcome behaviour that occurs at work or between workplace participants in settings outside the workplace. It includes:

- Discrimination on the basis of sex, marital status, religious or ethical belief, race and colour, ethnic and national origins, disability, age, political opinion, employment status, family status and sexual orientation, which is unlawful under the Human Rights Act 1993.
- Sexual harassment, which is unlawful under the Employment Relations Act 2000. The Act defines sexual harassment as:
 - requesting sexual contact from a worker with the promise of preferential treatment or the threat of some harm to the worker's future employment;

- using words of a sexual nature, or physical behaviour of a sexual nature, which is unwelcome or offensive and repeated or serious enough to cause harm to the worker's employment, job performance or job satisfaction.
- Workplace bullying, which includes language, visual material or physical behaviour that directly or indirectly intimidates, ridicules, or expresses hostility towards an employee(s) conducted by one or more persons, irrespective of seniority, in the workplace and/or in the course of employment. Bullying is unwanted, hurtful and offensive to the employee(s) and has, by its significant nature or through repetition, a detrimental effect on an employee(s).

2. Impartiality

Obligations to the Government of New Zealand

2.1 Employees shall loyally serve the New Zealand Government. In conducting their official duties they shall advance the interests of New Zealand and at all times put those interests first. Under no circumstances shall they advance or appear to advance the interests of any other country in competition or contradiction to those of New Zealand.

2.2 Employees should ensure that their personal interests or activities do not interfere with, or appear to interfere with, this obligation.

2.3 The State Sector Act 1988 sets out the relationship of departments (through their Chief Executives) to Ministers and thus to the Government. The key responsibilities of departments (and their employees) are to assist in the formulation and the implementation of Government policy. The focus of these responsibilities is to the Minister(s). Employees are therefore obliged to serve their Minister(s) within the law, with integrity, and to the best of their ability.

Political neutrality

2.4 As public servants required to serve the Government of the day, employees must act not only to ensure that the Ministry maintains the confidence of its Minister(s), but also that it is able to establish the same professional and impartial relationship with future Ministers.

2.5 Public servants have a recognised role in assisting with the development as well as the implementation of policy. This may occur in different ways and at different levels within each department. It is the responsibility of employees as public servants to provide honest, impartial and comprehensive advice to Ministers, and to alert Ministers to the possible consequences of following particular policies, whether or not such advice accords with Ministers' views.

2.6 The final decision on policy is the prerogative of Ministers, and employees may not withhold relevant information from Ministers, nor seek to obstruct or delay a decision, nor attempt to undermine or improperly influence Government policy (for example, by the unauthorised release of official information). In practical terms, once Ministers have decided on a course of action, it is the responsibility of employees not only to implement the policy as determined but also to help present the policy in the most effective manner. However, this approach need not inhibit the provision of further confidential advice to Ministers with a view to reviewing a decision if evidence is sufficiently strong to warrant such advice.

2.7 Employees who hold strong personal beliefs on certain issues must manage their behaviour so as to avoid conflict with official duties. It is Ministers who bear political responsibility for Government policies, and it is the role of employees as public servants to implement faithfully those policies to the best of their abilities. Once the Minister has made a decision, it is the duty of employees to implement that decision within the law, whether or not they personally agree with it.

2.8 If employees find themselves in a situation where their conscience constrains them from carrying out a lawful instruction, they should discuss their circumstances and options with their Manager⁴. Employees must not circumvent or undermine the Government's policies.

Political participation in New Zealand

2.9 Employees need to ensure that their participation in political activities does not bring them into conflict with their primary duty as public servants to serve the Government of the day in a politically neutral manner. This is important in order to maintain Ministerial and public confidence in the impartiality of advice given and actions taken by public servants. Determining what participation is appropriate will depend on the extent of the employee's participation, the nature of the issue, and the position held by the employee in the public service. If in doubt about the appropriateness of any intended action, employees should first consult their Manager.

Political participation in foreign states

2.10 In order to protect bilateral relationships between the New Zealand Government and other governments, employees shall not on their own account participate in any political activity in a foreign state. This prohibition includes membership of any pressure group, political party or other political or lobby organisation. This does not preclude, while on assignment overseas, membership or patronage of local associations or clubs that seek to foster links between that foreign state and New Zealand.

Standing as a Member of Parliament

2.11 Public servants may offer themselves as candidates for Parliament. [Section 52 of the Electoral Act 1993](#) requires a public servant wishing to stand as a candidate in a general election or by-election to disclose his or her intention to the Chief Executive of the department. Section 52 states that "Any State servant⁵ who desires to become a candidate for election as a Member of Parliament shall be placed on leave of absence" which:

"shall commence on nomination day, and in the event of his or her nomination as a constituency candidate or of the inclusion of his or her name in a list submitted under Section 127 of this Act, shall continue until the first working day after polling day, unless, in any case where he or she is a constituency candidate, he or she withdraws his or her nomination."

2.12 Where the Chief Executive is satisfied that the candidacy "will materially affect" the employee's ability to perform his or her duties satisfactorily, or to be seen as

⁴ "Manager" may include, in the case of members of staff who are employees of another department or agency, the Chief Executive or other senior officer of that department or agency.

⁵ The Electoral Act 1993 definition of a State servant includes, but is not limited to, public servants and members of the New Zealand Police.

independent in relation to particular duties, it may be necessary for the Chief Executive to place the employee on leave prior to nomination day. Therefore it is important that an employee of the Ministry notify the Secretary through their Manager of an intention to stand as a candidate as early as possible.

2.13 An employee may resume duty on the first working day after polling day if not elected as a Member of Parliament. However, under [Section 53](#) of the Electoral Act 1993, if an employee is elected to Parliament he or she will be deemed to have resigned from the public service. In effect, [Section 53](#) prohibits a Member of Parliament from also being a public servant.

2.14 During the period of leave an employee shall not be required or permitted to carry out any of his or her official duties, or be entitled to any salary or other remuneration as a public servant, “except to the extent to which he or she takes during that period any leave with pay to which he or she is entitled.”

2.15 The situation may arise where a public servant is the first or second unsuccessful candidate on a Party list. It is possible, then, that the person may subsequently become a Member of Parliament under [Section 137](#) of the Electoral Act 1993. The potential conflicts of interest arising should be handled by negotiation between the person concerned and his or her Chief Executive.

3. Responsibility

Performance of duties

3.1 Employees shall carry out their duties in an efficient and competent manner, and not engage in behaviour that might impair their effectiveness.

3.2 Employees shall notify the Ministry through their Manager where they have special health circumstances. These shall include any health condition that affects the employee’s ability to perform his or her official duties.

3.3 Accepted common law obliges all employees to perform satisfactorily the duties for which they are paid. Employees are therefore expected to fully comply with Ministry policies in their work. This obligation includes the following duties:

- to obey the law
- to obey all lawful and reasonable employer instructions and to work as directed
- to ensure competent and efficient performance of assigned duties
- to refrain from conduct that might impair work performance, including being under the influence of alcohol, illegal drugs or solvents during working hours
- not to bring illegal drugs into the workplace either for their own use or to sell or distribute
- to seek the Secretary’s prior approval (through their Manager) before undertaking secondary employment
- to show reasonable care, and neither use, nor allow the use of, Ministry property, resources or funds for anything other than authorised purposes
- to incur no liability on the part of the Ministry without proper authorisation
- to be absent from the workplace only with proper authorisation.

Management of public finance

3.4 No employee shall expend public money or incur costs unless duly authorised. Employees responsible for the financial management of public money, including expenditure of public money, shall comply with the provisions of the Public Finance Act 1989, and with delegations, instructions and notes concerning financial management, accounting, and other procedures. They shall discharge their financial management responsibilities in such a way as to be entirely beyond reproach.

Currency regulations

3.5 Employees assigned to service overseas, or travelling on official duties, shall not become involved in black or parallel market operations or contravene foreign exchange regulations of the host state. Employees shall not use or seek to use official accounts to transfer private funds in order to circumvent any such local currency regulation⁶. Employees may use official accounts for private transfers only where and to the extent that the Ministry has expressly authorised such transfers. Where the Ministry has issued guidelines relating to the conversion of foreign currency for official or other purposes in particular countries, employees shall follow those guidelines.

Fraud prevention

3.6 Employees shall comply with the Ministry's [Fraud Prevention and Response Policy](#). This Policy requires all employees at all times to act honestly, with integrity and to safeguard the resources for which they are responsible.

3.7 Fraud includes the theft of assets, improperly influencing a procurement or decision to achieve a personal benefit, forging documents or making false statements, improper use of information, and unauthorised access to information and communications systems.

3.8 Employees should report any suspected fraud to their Manager and, at overseas posts, also their Head of Mission. All cases of fraud will be investigated.

Protected disclosures

3.9 There may be circumstances when it is difficult for employees to report suspected serious wrongdoing through the Ministry's normal channels. The Protected Disclosures Act 2000 provides some protection for employees. The Ministry has in place [a policy and internal procedures](#) to give effect to the Protected Disclosures Act 2000.

3.10 Serious wrongdoing includes unlawful, corrupt, or irregular use of public funds or resources; conduct that poses a serious risk to public health or safety, the environment, or maintenance of the law (including the prevention, investigation and detection of offences and the right to a fair trial); conduct constituting an offence; or conduct by public officials that is grossly improper.

3.11 Employees of other New Zealand Government departments and agencies at overseas missions and posts will have their own department's or agency's protected disclosures procedures available to them.

⁶ Where appropriate, provision may be made in official conditions of service to assist employees likely to be financially disadvantaged by undue restriction on repatriation of personal funds derived from normal household living.

Security

3.12 Employees shall familiarise themselves with the Ministry's security requirements. They shall comply with the security notes, instructions and guidelines that are issued from time to time.

3.13 Employees are required to notify their Manager and the Divisional Manager Security (SEC) of any incident that may affect the physical security of the Ministry's workplace or equipment, including at overseas posts. This includes any incident or circumstances that may affect their personal security clearance or the security of the Ministry. In particular, an employee shall report to their Manager and the Divisional Manager SEC any attempt by a person or persons to bring pressure to bear, or offer an incentive, for the employee to either act or decline to act in a particular manner or in a manner that may damage the interests of the New Zealand Government.

3.14 Employees are required to notify the Divisional Manager SEC where they have financial or personal relationship circumstances that could potentially bring the Government into disrepute or risk the employee being coerced. These circumstances include significant debt, an inability to meet financial commitments, relationships that create a potential conflict of interest, and intimate relationships with nationals of a host country, or that are against the local laws and customs of the host country.

3.15 Employees are required to notify the Divisional Manager SEC of any change in their personal circumstances (e.g. establishment or change of a personal relationship, changes in people that share accommodation) for the purposes of complying with security clearance requirements.

Security of the Ministry's information and communications systems

3.16 Employees shall not knowingly compromise the security of the Ministry's information and communications policies and practices or technology systems or data in any way, nor cause damage to the Ministry's Information Management (IM) systems or compromise the integrity of the data stored in those systems.

3.17 Employees must not give their user-ID or password to any person within or outside the Ministry. Employees are personally responsible and accountable for all usage of IM systems under their user-ID including observing policies concerning the security of electronic communications.

3.18 Software may only be installed on to Ministry systems and hardware by the Information Management Division (IMD). Any storage media (e.g. Ministry approved USB drives, CDs, DVDs and magnetic tapes) that an employee wishes to use on Ministry systems, including internet booths, must first be virus-checked in accordance with the guidelines issued by IMD.

Acceptable use of information and communications technology

3.19 Employees shall comply with the [Ministry's ICT Acceptable Use Policy](#). This policy covers the use of all Ministry IM infrastructure and applies to all users of the Ministry's IM infrastructure.

3.20 Access to the Ministry's IM infrastructure is for work-related purposes. Limited personal use is permitted provided it is consistent with Ministry's ICT Acceptable Use Policy.

3.21 The Ministry monitors its IM infrastructure in accordance with the Information Privacy Principles of the Privacy Act 1993. Where there is a suspected breach of the Ministry's ICT Acceptable Use Policy or the Ministry's Information Management systems are compromised, the Ministry will conduct a forensic investigation.

3.22 Messages including email, instant messages and texts are covered by the Official Information Act 1982 and may also be discoverable for legal proceedings. Employees must be conscious of the sensitivity of information being sent. Employees and other users of the Ministry's IM infrastructure must comply with the email security rules contained in the Ministry's ICT Acceptable Use Policy. Employees must apply the appropriate classification tag to email messages in accordance with the Head Office Security Instructions or Post Security Instructions and send them using the correct network.

3.23 All scanning and copying of documents must comply with the ICT Acceptable Use Policy and the Head Office Security Instructions. Scanned or copied documents must be classified as per the original document.

3.24 The Ministry reserves the right to monitor all activity on its networks.

Protected information

3.25 Much of the information available to employees working in the area of foreign relations is classified and may be entitled to be withheld under the provisions of the Official Information Act 1982. Employees shall give appropriate protection to such information.

3.26 Employees have a duty not to release or communicate, in an unauthorised way, information that may result in damage to New Zealand's national interests or foreign relations. This duty extends to reckless or negligent communication.

3.27 Communicating information with intent to prejudice the security or defence of New Zealand is an offence under [Section 78 of the Crimes Act 1961](#). It is also an offence under [Section 78A of that Act](#) to recklessly communicate any official information without proper authority where that communication is likely to prejudice the security or defence of New Zealand. Employees shall familiarise themselves and comply with these provisions.

Release of official information

3.28 The disclosure of official information is subject to the requirements of the Official Information Act 1982. All employees shall comply with the requirement that official information should be released only by authorised employees and within the guidelines, procedures and delegations established relating to the release of official information.

3.29 The general principle of the Official Information Act 1982 is that information should be made available to New Zealanders on request, unless there are good reasons for withholding it. The grounds for withholding information are detailed in the Act.

3.30 Employees authorised by the Ministry to respond to requests made under the Official Information Act 1982 should exercise proper care and discretion in the application of departmental procedures. The Ministry's Executive Services Division provides compliance oversight of Official Information Act requests. In case of doubt,

employees should seek guidance from the Executive Services Division. If the release of politically sensitive material is required, employees should ensure (through their Manager and the Secretary) that the Minister is kept fully informed. At overseas posts, members of staff should consult with the Head of Mission or Post concerning the procedures to be followed in responding to any requests under the Official Information Act 1982.

3.31 In all other circumstances, information on Ministry policy or programmes that employees can access during the course of their employment is to be used only for official purposes, treated with appropriate regard to any sensitivity that the information might have in the hands of the recipient, and released only when authorised and in accordance with any guidelines and procedures established by the Ministry. This includes commercially sensitive information, and the private information of individuals, consultants and staff. (See also paragraphs 3.25 – 3.27).

3.32 Employees releasing information without authority and not in accordance with guidelines and procedures betray the trust put in them and undermine the relationship that should exist between Ministers and the public service.

Private communications with Ministers and Members of Parliament

3.33 Generally, public servants have the same rights of access to their political representatives as other members of the public. However, given the requirement for public servants to remain politically neutral in their work, employees should approach such communications with special sensitivity. As a general guide:

- employees may communicate privately with any Minister or Member of Parliament about matters outside their employment, but those occupying senior positions or working closely with Ministers should exercise particular care with such communications
- employees may also communicate privately with the Minister(s) about matters concerning the Ministry, but such matters should first be raised with the Secretary (through their Manager)
- the Protected Disclosures Act 2000 may not cover any communications made in this way as Ministers and Members of Parliament are not “appropriate authorities” under the Act. However, an employee may make a protected disclosure to a Minister of the Crown in the circumstances outlined in the Ministry’s [Protected Disclosures Policy](#)
- where a matter is raised directly with the responsible Minister, the department may be directed to provide a suitable response
- an employee is entitled to the same information or level of detail in a response as would be given to any member of the public under the Official Information Act 1982.

Public comment on Government policy

3.34 Only certain employees will be authorised to provide responses to media and other requests for comment on Government policy. Employees shall not make any public statement or speech, or give any interview or comment to the media, unless specifically authorised to do so. Employees are required to familiarise themselves with the [Ministry’s guidelines and procedures governing responses to media and other requests](#)

[for comment on Government policy](#). At overseas missions and posts, employees should consult with the Head of Mission or Head of Post on procedures to be followed in responding to outside requests for such comment.

Public comment while overseas

3.35 Employees shall not make any public statement or speech, or give any interview to the media, while overseas unless specifically authorised to do so by the Secretary, the Head of Mission or Post, or the Head of Delegation in the case of representation at an international conference. Before responding to any media request, employees must check to see whether or not they have authority to respond.

Public comment on foreign government policy

3.36 Employees shall not publicly comment on the policy of a foreign government, unless specifically and duly authorised to do so.

Individual comment

3.37 Generally, public servants have the same rights of free speech and independence in the conduct of their private affairs as other members of the public. However, they also have a duty not to compromise the Government by public criticism of, or comment on, policies with which they have been professionally involved or associated.

3.38 Employees should therefore ensure that their contribution to any public debate or discussion on such matters, including through social media, maintains the discretion appropriate to the position they hold, and is compatible with the need to maintain a politically neutral public service. Employees occupying senior positions or working closely with Ministers need to exercise particular care in this regard.

3.39 Comment by employees on issues of public policy that might be associated with their official role would normally be regarded as unacceptable if it:

- revealed advice given to the Minister(s)
- used or revealed any information gained in the course of official duties where this was not already known by, or readily available to, the general public
- criticised, or offered alternatives to, a proposed or actual Ministerial policy or Ministry programme, or that of any other Minister or department with which the employee was professionally involved
- purported to express or imply a Ministry view rather than clearly expressing a personal view only
- gave openly partisan support to, or criticism of, a political party
- constituted a personal attack on a Minister, Ministry colleague(s) or other public servant(s)
- amounted to a criticism sufficiently strong and/or persistent so as to call into question the employee's ability to impartially implement, administer, or advise upon a Government policy.

Lifelong duty of confidence

3.40 Employees owe a lifelong duty of confidence to the Crown. The duty not to divulge or disclose or otherwise communicate to any person any official or protected information without proper authority from the Ministry is owed notwithstanding

removal of the employee from employment, resignation, retirement or other termination of the employment relationship.

Publication of articles or books

3.41 Any employee who wishes to publish a book or an article that is based in whole or in part upon experience in Government service, or draws upon or might be thought to draw upon knowledge gained during employment in Government service, or deals with matters of current domestic or international political controversy, shall submit a draft manuscript to the Secretary through their Manager for approval. Employees shall not publish any material before that approval is granted.

Authority of the Head of Mission

3.42 Employees assigned to service overseas shall comply with any instructions or directions issued by the Head of Mission and shall consult with the Head of Mission about any personal or professional issue that is or may become relevant to New Zealand's bilateral relations with the host government, their official duties, and as otherwise requested by the Head of Mission.

3.43 A staff member who is an employee of another department or agency is subject to the overall management and control of his or her department or agency while on assignment overseas. Such direction may relate to any matter within that employee's area of responsibility or any issues involving that employee that could affect New Zealand's bilateral relations with the host government, or that could materially affect the administration, security or overall good conduct of the mission.

3.44 In the event of any differences between a Head of Mission and an employee of another department or agency on assignment overseas concerning the extent of the Head of Mission's authority, either may request their employing department or agency to take up the matter with the employing department or agency of the other. Pending the resolution of any such differences by the Ministry and the relevant department or agency, the employee shall comply with the directions of the Head of Mission.

Privileges

3.45 Employees assigned to service overseas, or travelling on official duties, shall not make illegal use of, or abuse, any privilege that they may have as a diplomatic or consular representative, such as exemption under international law from the payment of direct taxes or duties. They shall not on a personal basis seek or request additional claims for privilege on the basis of their diplomatic or consular status. In particular, goods obtained without the payment of duty under privilege are to be for personal use, and are not to be sold or used as payment of any kind.

Immunity and the duty to obey the law

3.46 Employees assigned to service overseas, or travelling overseas on official duties, shall obey the laws and regulations of the country in which they are assigned, notwithstanding that some measure of immunity may exist. They shall take into account any guidance provided by the Ministry concerning the operation of those laws and regulations. Employees shall respect the laws and regulations of New Zealand while on such an assignment, and they shall honour their private contractual obligations and make reparation for any wrongful acts committed while on assignment overseas.

3.47 Employees assigned to service overseas, or travelling overseas on official duties, shall promptly report to the Head of Mission any instance where they, or accompanying members of their family or household, become involved in a dispute with a third party, or in connection with the local authorities (including where they may otherwise have been charged with an offence).

Waiver and pleas of immunity

3.48 Employees assigned to service overseas, or travelling on official duties, and accompanying family members shall not engage in any abuse of their immunities. The general rule is that immunity will not be invoked in respect of an employee unless there are exceptional circumstances. These circumstances may include:

- where there is a real danger of detention
- where it is necessary to invoke immunity in order to uphold the entitlement of employees to immunity in a particular type of situation
- where proceedings are improperly threatened or initiated against an employee in order to gain an advantage through the embarrassment resulting to the employee and the post from such proceedings.

3.49 Where there may be a breach of local law, whether or not a prosecution follows, the Ministry's Office Solicitors, Protocol Division and the relevant regional division shall be advised by the post immediately.

3.50 In the case of a prosecution or attempted prosecution, an enquiry associated with a prosecution, or any civil proceeding, the Minister of Foreign Affairs will take the decision whether or not to waive immunity. Where the member of staff is an employee of another department or agency, the Minister of Foreign Affairs will take the decision after consultation with that member of staff's Minister.

3.51 For further information about diplomatic and consular inviolability and immunity refer to Protocol Division and the Office Solicitors.

Requests to give evidence in a foreign court

3.52 All requests for an employee or their accompanying family members to give evidence of any kind whatsoever in a foreign court or before any other judicial or quasi-judicial body shall be referred to the Ministry's Office Solicitors, Protocol Division and the relevant regional division for consideration. Where the request relates to a member of staff who is an employee of another department or agency, that staff member's employing department or agency will be consulted.

Traffic accidents and parking offences while overseas

3.53 All employees assigned to service overseas, or travelling on official duties, shall comply with local traffic and parking laws and regulations and shall carry ample and comprehensive vehicle insurance, including passenger, third party and third party property insurance, to provide cover regardless of fault for themselves, accompanying family members and any other driver or passenger. Employees shall obtain a sum of coverage that as a minimum complies with local standards and practices, but where such standards are below normal international standards, the employee shall obtain coverage that meets the higher of the two.

3.54 Employees assigned to service overseas, or travelling on official duties, shall pay parking fines promptly and meet their responsibilities in the case of traffic accidents or offences without resting on immunity. The circumstances of all such incidents shall be promptly and fully reported to the Head of Mission. Where there may be a breach of local law (excluding parking infringements), whether or not a prosecution follows, the post shall immediately advise the Ministry's Office Solicitors, Protocol Division and the relevant regional division.

4. Trustworthiness

Personal behaviour

4.1 Employees should avoid any activities, whether connected with their official duties, personal relationships, or otherwise, that might bring the Ministry into disrepute, or jeopardise its relationships with its Minister(s), clients or the general public.

4.2 As a general principle, and subject to paragraphs 3.14 and 3.15, personal behaviour that does not interfere with the performance of official duties, or reflect on the integrity or standing of the employer, is no concern of the employer.

4.3 However, the Ministry has a legitimate interest in the private activities of Ministry employees where they reflect to the discredit of the Ministry in its relationships with the Government or the public, and/or possibly call the employee's fitness for continued employment into question.

4.4 If a personal relationship places an employee in a position that might compromise, or be seen to compromise their integrity, or places them under any obligation to another individual, the employee should inform their Manager and the Divisional Manager SEC.

4.5 Whether private activities are a concern to the Ministry will depend on the circumstances in each case, and may vary according to the position held by an employee. For example, some minor offences against the law committed in New Zealand may be of no concern where they do not involve breaches of trust, or otherwise impair the ability of employees to fulfil their duties. However, other cases may be of greater concern, particularly where some degree of publicity identifies the actions of an individual with their employment.

4.6 Of special importance in this regard is the duty of employees to protect the Ministry's security, including ICT security and official and protected information, and to comply scrupulously with guidelines and requirements established for that purpose (see paragraphs 3.19 – 3.27).

4.7 Employees shall avoid behaviour, whether connected with their official duties, personal relationships or otherwise, that creates a potential conflict of interest, or which may offend, or appear to offend, against local laws or customs, or broadly acceptable standards of conduct, or any specific guidelines provided by the Ministry on standards of behaviour to be followed in particular countries of assignment.

4.8 Similarly, behaviour that might bring the Government of New Zealand into disrepute, or jeopardise its international standing, or its relationship with another government or international organisation, or lead to any situation giving rise to the potential for coercion, is unacceptable.

4.9 In particular, employees assigned to service overseas, or travelling on official duties, shall maintain an exemplary standard of conduct and must not engage in activities that may bring discredit upon themselves or New Zealand.

Managing conflicts of interest

4.10 Employees should perform their duties honestly and impartially and act in a manner that will bear the closest public scrutiny. They shall avoid situations that might compromise their integrity and shall ensure that no conflict exists, or appears to exist, between their private interests and their official duties.

4.11 Employees shall comply with the [Ministry's Statement on Conflicts of Interest and associated policies, processes and templates](#) for disclosing and managing conflicts of interest.

4.12 No individual or organisation with which an employee is involved may be given preferential treatment (whether by access to goods and services or access to "inside information") over any other individual or organisation.

4.13 In addition, employees should avoid any financial or other interest or undertaking that could directly or indirectly compromise the performance of their duties, or the standing of the Ministry in its relationships with the public, clients, or its Minister(s). This includes any situation where actions taken in an official capacity could be seen to influence or be influenced by an employee's private interests (e.g. company directorships, significant shareholdings, offers of outside employment).

4.14 Where any actual or potential conflict of interest arises with the full, effective and impartial discharge of their official duties, employees should inform their Manager. Their Manager will then determine the nature and degree of the conflict as it relates to their official duties, and decide upon the best course of action to resolve it. The conflict and the process for managing it should be recorded in writing.

4.15 Employees who in the course of their employment come into contact with information concerning a business enterprise in which they have a significant interest, or for whom a conflict of interest arises, shall disclose the nature of that interest to the Ministry through their Manager. They shall not make unauthorised use of information to which they have had access in the course of their employment (see paragraphs 3.25 – 3.32), nor shall they become financially or personally involved either directly or indirectly in any arrangements arising from the provision of advice.

4.16 No employee assigned to service overseas shall engage for personal profit in any local professional or commercial activity whatsoever.

4.17 Employees assigned to service overseas shall consult with the Head of Mission or the Secretary (through the Group Manager Human Resources) in advance of their spouse, partner or other family member taking up local employment. The spouse, partner or other family member may not take up employment where there are factors (legal, security, conflict of interest etc.) that might render such employment contrary to the interests of New Zealand. Approval for a spouse, partner or other family member to take up local employment shall not be unreasonably withheld.

4.18 A potential area of conflict exists for employees who may have to deal directly with New Zealand Members of Parliament who have approached the Ministry in a personal capacity. It is important for both the Member of Parliament and the employee that any such dealings be addressed, and be seen to be addressed, on the basis of strict impartiality.

4.19 If an employee is in any doubt about the manner in which to respond to an enquiry from a Member of Parliament, that matter should be referred immediately to his or her Manager. If there is any doubt about the propriety of a request, the matter should be referred, through the Secretary, to the Minister.

Participation in public bodies or voluntary organisations

4.20 Employees are free to stand for, or be appointed to, any office or position on any voluntary body. However, they should first inform the Secretary through their Manager of their intentions, if there is the potential for conflict to exist between such participation and their duties and responsibilities as Ministry employees. Where the Secretary considers that there would be a conflict of interest, appropriate arrangements will need to be made to avoid or resolve the conflict. In some cases this may require that the employee be requested not to stand for office, or to resign a position already held.

4.21 Strong conflicts of interest are likely if an employee is appointed to a public body. Appointments of employees to statutory boards and other public boards in which the Crown has an interest are governed by policy set out in the [Cabinet Office Circular CO \(02\) 5, 22 March 2002, Appointments of Public Servants to Statutory Boards](#). This policy limits the number of circumstances where Ministers may appoint public servants to statutory boards because of potential conflicts of interest.

Offers and acceptance of gifts, gratuities and other benefits

4.22 Employees may not abuse the advantages of their official position for private purposes or personal gain. They must not solicit gifts, rewards or benefits that might compromise, or be seen to compromise, their integrity and the integrity of the Ministry and the public service. This includes soliciting prizes for staff raffles from companies or suppliers with whom the Ministry has an existing or potential commercial contract or relationship, and soliciting free or discounted travel, accommodation or meals.

4.23 The Ministry has in place a [policy and internal procedures](#) setting out the requirements for accepting, recording and processing gifts and hospitality received by employees. No employee shall accept gifts or hospitality, whether in the form of money, goods, free or discounted passages, accommodation, meals or other benefits however they may be described, from any person, organisation or firm with whom the employee is in contact by virtue of their official position, without approval. Employees assigned overseas shall obtain approval of the Head of Mission. Heads of Mission and Wellington-based employees shall obtain approval from the Group Manager Strategy and Governance (GM SGG). All such requests for approval should be directed in the first instance to the Divisional Manager Audit and Risk (AUR) who will consult as appropriate.

4.24 Employees may, subject to any special guidelines that may exist affecting particular countries, offer and receive normal diplomatic and representational hospitality. They should, however, avoid situations where doing so could be interpreted as appreciation for, or seeking, personal favours.

4.25 Notwithstanding paragraphs 4.22 – 4.24 above, mere token gifts of appreciation (but not money) may be accepted with a value of less than NZ\$100, and which do not, and do not appear to, place the employee under any obligation. If in doubt about the

value of a particular gift or the appropriateness of accepting it, employees should consult the Divisional Manager AUR.

4.26 For security reasons, employees should not accept gifts of electronic mobile devices of any value. If, however, the cultural context or significance were to preclude an employee from declining to accept or from returning such a gift, it should be reported by the employee as in paragraph 4.23 above. In addition to the procedures set out in paragraph 4.23, the Divisional Manager AUR will also consult Security Division to determine the appropriate response or final disposal of any gift already received.

4.27 Employees should not accept prizes or awards won by virtue of their presence at official functions or incurred during the course of official duties. If circumstances preclude declining the prize or award or returning it at source (e.g. for an immediate redraw), the employee should immediately disclose acceptance of the prize or award to the Head of Mission, in the case of employees overseas, or to the Divisional Manager AUR in the case of Wellington-based employees. The Head of Mission or the Divisional Manager AUR will consult as appropriate with the GM SGG to determine the final disposal of the prize or award.

4.28 On no account shall an employee engage in, recommend or facilitate a particular course requiring illegal activity, including bribery or other extra payments or consideration, to be followed in order to achieve a desired result.

4.29 This policy applies to gifts or hospitality offered or given to family members of employees when there is a clear link with the duties or official position of the employee.

Fees for speeches, articles or other participation

4.30 Employees shall not solicit or accept any form of reward for services provided in the course of their official duties (including for talks, speeches, articles or participation in negotiations or official duties undertaken after hours). If circumstances make it difficult to decline a fee or similar payment, the GM SGG should be notified through the Divisional Manager AUR, as appropriate, for approval to accept the fee or similar payment in accordance with paragraph 4.23.

Airpoints and other loyalty scheme rewards

4.31 Employees are expected to be familiar with the Ministry's [Policy for travel on Ministry business](#). Employees may not seek or accept personal benefits deriving from their official position such as free or discounted travel by airlines or travel agencies for familiarisation purposes, free accommodation from hotels, or free rental car services from vehicle hire companies. Employees travelling on official duties may accept but not seek upgrades of travel class offered by airlines.

4.32 Airpoints and other loyalty scheme rewards earned as a consequence of official expenditure are Ministry assets and employees must not make personal use of them. Because airpoints and other loyalty scheme rewards are earned through the expenditure of public funds they must be declared and any benefit should accrue for official Ministry use only.

Koha/Donations

4.33 A "koha" is a gift, a token or a contribution given in money or kind, as appropriate, in interactions with Māori individuals or organisations. For example, it is customary practice when visiting a marae to provide a koha (usually a sum of money) during a pōwhiri (formal welcome) to ensure the tangata whenua (hosts) are not

disadvantaged or inconvenienced in any way by hosting the visit. This is seen as a token of appreciation to the hosts for their hospitality and energy involved in providing the pōwhiri and making arrangements for the manuhiri (visitors).

4.34 There may also be occasions where the local cultural environment at posts makes it appropriate to give a koha in return for traditional hospitality received. In such situations where official expenditure is involved, a Manager's approval should be obtained, and the amount and an explanation of the circumstances should be documented in each case.

4.35 A koha should not be confused with a payment for goods and services provided to the Ministry. Such goods and services might include catering costs or venue and equipment hire that would normally be arranged and paid for directly by the Ministry.

4.36 It is normally traditionally and culturally inappropriate to ask what koha is expected by the hosts. Each situation is different, so there can be no hard and fast rules. To ascertain an approximate figure, employees, including those at posts, should consult in advance with the Māori Policy Unit (MPU) on what would be most appropriate in the particular circumstances.

Acceptance of foreign decorations

4.37 No employee shall accept or wear decorations or medals awarded by other states or governments, except where these are conferred with the approval of the Crown or the Government of New Zealand as appropriate. Every proposal for the bestowal of a foreign decoration shall be referred immediately to the Chief of Protocol and the foreign authority advised promptly that official permission must first be granted.

Cultural property

4.38 No employee assigned to service overseas, or travelling on official duties, shall purchase or export, or make arrangements in respect of the purchase or export of, any item of cultural property of a sensitive nature other than in accordance with local regulations and with the knowledge and consent of the host authorities where this is required. The term cultural property includes any antiquity, artefact, document, work of art or other chattel that is of national, historical, scientific, literary or artistic importance. It also includes any property that may be subject to local regulation regarding its sale or export.

Behaviour of accompanying family members

4.39 Employees assigned to service overseas shall take all reasonable steps to ensure that accompanying family members or other members of their household comply, as appropriate, with the standards of acceptable conduct set out in this Code. Failure of such family/household members to meet the standards in this Code **may result in disciplinary action including the employee's immediate withdrawal from an overseas assignment.**

LOCALLY-EMPLOYED STAFF (LES) VERSION

TEMPLATE

**NEW ZEALAND EMBASSY/HIGH
COMMISSION/CONSULATE**

**LOCALLY EMPLOYED STAFF
CODE OF CONDUCT**

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CONDUCT OF THE NEW ZEALAND (EMBASSY/HIGH COMMISSION/CONSULATE), (COUNTRY)

Introduction

This Code of Conduct prescribes the standards required by the Head of Mission of employees of the New Zealand Embassy/High Commission/Consulate.

The New Zealand Embassy/High Commission/Consulate will advise employees of the application of the Code to them and provide a copy to all new employees at commencement of employment and copies to current employees on request. The New Zealand Embassy/High Commission/Consulate will provide any clarification required by employees concerning the effect of provisions in the Code on request and provide such guidelines/training as may from time to time seem appropriate.

Violation of this Code of Conduct may constitute misconduct depending on the circumstances and could lead to disciplinary action including a written warning being issued or dismissal.

The term “employee” as used in this Code shall include all locally employed staff at the New Zealand Embassy/High Commission/Consulate. The term “employer” and “New Zealand Embassy/High Commission/Consulate” shall, for the purpose of this code, mean the New Zealand Embassy/High Commission/Consulate, (Country).

Principle 1:

Employees shall fulfil their lawful obligations to the New Zealand Embassy/High Commission/Consulate with professionalism and integrity

1. OBLIGATIONS TO THE NEW ZEALAND EMBASSY/HIGH COMMISSION/CONSULATE

- 1.1 Employees shall serve the New Zealand Embassy/High Commission/Consulate with professionalism, honesty, and integrity. In conducting their official duties they shall advance the interests of the New Zealand Embassy/High Commission/Consulate and at all times put those interests first.
- 1.2 Employees should ensure that their personal interests or activities do not interfere with, or appear to interfere with, this obligation. Once the Head of Mission has decided on a course of action, or a supervising seconded officer has issued instructions, it is the responsibility of the employee to implement the instructions in the most effective manner. If staff find

themselves in a situation where their conscience demands that they should decline to carry out an instruction, they should discuss their circumstances with a seconded officer or the Head of Mission.

2. PUBLIC COMMENT ON THE NEW ZEALAND EMBASSY/HIGH COMMISSION/CONSULATE POLICY

2.1 Only certain employees will be authorised to provide responses to media and other requests for public comment on policy. Employees shall not make any public statement or speech, or give any interview or comment to the media, unless specifically authorised to do so. Members of staff should consult with the Head of Mission concerning procedures to be followed in responding to outside requests.

3. INDIVIDUAL COMMENT

3.1 Members of staff have a duty not to compromise the New Zealand Embassy/High Commission/Consulate by public criticism of, or comment on, policies with which they have been professionally involved or associated.

3.2 Comment made by individuals on issues of New Zealand Embassy/High Commission/Consulate policy which might be associated with their official role would normally be regarded as unacceptable if it:

- used or revealed any information gained in the course of official duties where this was not already known by, or readily available to, the general public;
- criticised, or offered alternatives to, a proposed or actual New Zealand Embassy/High Commission/Consulate policy or official programme;
- Purported to express or imply a New Zealand Embassy/High Commission/Consulate view rather than clearly expressing a personal view only;
- constituted a personal attack on the New Zealand Embassy/High Commission/Consulate or colleague(s)

4.0 PARTICIPATION IN PUBLIC BODIES OR VOLUNTARY ASSOCIATIONS

4.1 Employees are free to stand for, or be appointed to, any office or position on any public or voluntary body. However, they should first inform the New Zealand Embassy/High Commission/Consulate of their intentions, to ensure that no conflict exists between such participation and their duties and responsibilities as New Zealand Embassy/High Commission/Consulate employees. Where the employer considers that there would be a conflict of interest, appropriate arrangements will need to be made to avoid or resolve the conflict. In some cases they may

require that the employee be requested not to stand for office, or to resign a position already held.

- 4.2 Any staff member that stands as a candidate in a general election or a by-election should disclose their intentions to the New Zealand Embassy/High Commission/Consulate. Where the employer deems that candidacy will materially affect the staff member's ability to perform his or her duties satisfactorily, or to be seen as independent in relation to particular duties, the staff member may be placed on a leave of absence which shall commence from the nomination day and, in the event of his or her nomination as a constituency candidate, shall continue until the first working day after polling day, unless, in any case where he or she is a constituency candidate he or she withdraws his or her nomination.
- 4.3 The employee may resume duty on the first working day after polling day if not elected as a Member of Parliament, however if they are elected to Parliament the Head of Mission will need to consider whether there is a conflict of interest. If this cannot be resolved then the employee may need to resign their position.

5. RELEASE OF OFFICIAL INFORMATION

- 5.1 Employees authorised by the New Zealand Embassy/High Commission/Consulate to respond to requests made under the New Zealand Official Information Act 1982 should exercise proper care and discretion in the application of official procedures. Information to which employees have access during the course of their employment is to be used only for official purposes, and is to be released only with the authority and consent of the Head of Mission. This includes commercially sensitive information, and the private information of individuals, consultants and staff.

6. PROTECTED INFORMATION

- 6.1 Employees have a duty not to release or communicate, in an unauthorised way, information, which may result in damage to New Zealand's foreign relations. This duty extends to reckless or negligent communication.

7. DISCLOSURE OF SERIOUS WRONDOING

- 7.1 Serious wrongdoing includes unlawful, corrupt, or irregular use of public funds or resources, conduct that poses a serious risk to public health or safety, the environment or maintenance of the law (including the prevention, investigation and detection of offences and the right to a fair trial), conduct constituting an offence or conduct by public officials that is grossly improper.

- 7.2 Employees should disclose relevant information of suspected serious wrongdoing to the Head of Mission or to another seconded officer. There may be circumstances when it is difficult for employees to report suspected serious wrongdoing to the Head of Mission or another seconded staff member. In such circumstances employees may raise a concern through the Ministry's Integrity Plus email or telephone line.

8. SECURITY

- 8.1 Employees shall familiarise themselves with the New Zealand **Embassy/High Commission/Consulate** security requirements. They shall comply with the security notes, instructions and guidelines that are issued from time to time
- 8.2 Employees are required to notify the Head of Mission of any incident, which may affect the physical security of the New Zealand **Embassy/High Commission/Consulate** workplace or equipment. Employees shall report any incident, which may affect their personal security clearance (if applicable) or the security of the New Zealand **Embassy/High Commission/Consulate**.
- 8.3 In particular, an employee shall report to their Head of Mission any attempt by a person or persons to bring pressure to bear, or offer an incentive, for the employee to either act or decline to act in a particular manner or in a manner that may damage the interests of the New Zealand Government or the New Zealand **Embassy/High Commission/Consulate**.
- 8.4 Employees are required to notify the Head of Mission of any financial or personal relationship circumstances that could bring the **Embassy** into disrepute or risk the employee being coerced. These circumstances include an inability to meet financial commitments or an intimate personal relationship that creates or may create a potential conflict of interest.

9. OTHER CIRCUMSTANCES

- 9.1 Employees shall notify the Head of Mission where they have special health circumstances. This shall include any health condition, which may affect the employees' ability to perform their official duties.

10. LIFELONG DUTY OF CONFIDENCE

- 10.1 Employees owe a lifelong duty of confidence to the New Zealand **Embassy/High Commission/Consulate**. The duty not to divulge or disclose or otherwise communicate to any person any protected or official information without proper authority from the New Zealand **Embassy/High Commission/Consulate** is owed notwithstanding removal of the employee from employment, resignation, retirement or other termination of the employment relationship.

11. PUBLICATION OF ARTICLES OR BOOKS

- 11.1 Employees who wish to publish a book or article which is based on their experience at the New Zealand **Embassy/High Commission/Consulate**, or which draws on knowledge gained during their employment at the New Zealand **Embassy/High Commission/Consulate**, or which deals with issues of current **(Country)** or international politics, must submit a draft to the Head of Mission for approval. No material should be published before approval is granted.

12. SECURITY OF THE NEW ZEALAND **EMBASSY/HIGH COMMISSION/CONSULATE INFORMATION SYSTEMS**

- 12.1 Employees shall not knowingly compromise the security of the New Zealand **Embassy/High Commission/Consulate** information systems in any way, nor cause damage to the New Zealand **Embassy/High Commission/Consulate** information systems or compromise the integrity of the data stored in those systems. Employees must not give their USER-ID to any person outside the Ministry and must not give their password to any other person. Employees are personally responsible and accountable for all usage of IT systems under their USER-ID. Software may only be installed on to the Ministry systems and hardware by the Information Management Division (IMD). Any storage media (e.g. Ministry approved USB drives, CDs, DVDs and magnetic tapes) that an employee wishes to use on Ministry systems including internet booths must first be virus-checked in accordance with the guidelines issued by IMD.

13. INTERNET AND EMAIL ACCEPTABLE USE

- 13.1 The Ministry, on behalf of the New Zealand **Embassy/High Commission/Consulate**, issues specific policy guidelines on acceptable use of the Internet and email. The policy applies to all New Zealand **Embassy/High Commission/Consulate** staff with access to the Internet and email in the course of their employment, that is, to all “users”. It includes staff of other departments or agencies who have approval to be

connected to the Ministry's network. "Email" means the Ministry's internal email system, SEEMail and Internet Email.

- 13.2 Email, instant messages and texts are covered by the New Zealand Official Information Act 1982 and may also be discoverable for legal proceedings. Employees must be conscious of the sensitivity of information being emailed. Classified information is not to be sent over the Internet. Emails with a "Restricted" classification may be sent between divisions and/or overseas missions or posts over the Ministry's global network, but must not be sent over the Internet (i.e. to an address outside the Ministry's global network) because the required level of protection is not provided. The Ministry's formal messaging system should continue to be used for the formal tasking of posts, substantive policy guidance and reporting and for the communication of instructions and of mission-critical or time-sensitive information.
- 13.3 Access to email and the Internet is for work-related communication, research and information purposes and for limited personal use provided it is consistent with the Ministry's email and Internet acceptable use policy. The Ministry's email and Internet acceptable use policy expressly includes locally employed staff.
- 13.4 All scanning and copying of documents must comply with the ICT Acceptable Use Policy and the Head Office Security Instructions. Scanned or copied documents must be classified as per the original document.
- 13.5 The Ministry monitors its IM infrastructure in accordance with the Information Privacy Principles of the Privacy Act 1993. Where there is a suspected breach of the Ministry's ICT Acceptable Use Policy or the Ministry's Information Management systems are compromised, the Ministry will conduct a forensic investigation.

Principle 2:

Employees shall perform their official duties honestly, faithfully and efficiently, respecting the rights of the public and their colleagues

14. CARRYING OUT DUTIES

- 14.1 Employees shall carry out their duties in an efficient and competent manner, and avoid behaviour that might impair their effectiveness.

There is an obligation on all employees to perform satisfactorily the duties for which they are paid. New Zealand **Embassy/High Commission/Consulate** employees are therefore expected to give full

effect to departmental policies in their work. This obligation includes the following duties:

- to obey the law and regulations of the country (including other countries they may visit in the course of their official duties)
- to obey all lawful and reasonable employer instructions and to work as directed
- to ensure competent and efficient performance of assigned duties
- to refrain from conduct that might impair work performance including being under the influence of alcohol, prohibited drugs or solvents during working hours
- to consult the employer before undertaking secondary employment, and not to undertake secondary employment which, in the opinion of the employer, might conflict with official duties
- to show reasonable care, and neither use, nor allow the use of, New Zealand Embassy/High Commission/Consulate property, resources, or funds, for anything other than authorised purposes
- to incur no liability on the part of the employer without proper authorisation
- to be absent from the workplace only with proper authorisation.

15. RESPECT FOR THE RIGHTS OF OTHERS

15.1 As well as being expected to ensure satisfactory individual performance, employees also have a duty to contribute to the smooth functioning of the workplace by treating their colleagues and the public with courtesy and respect. In meeting this obligation, employees are expected:

- not to engage in behaviour that might endanger or cause distress to other employees, or otherwise contribute to disruption of the workplace
- to refrain from allowing workplace relationships to adversely affect the performance of official duties
- to respect the privacy of individuals when dealing with personal information, and to manage such information in a professional manner
- not to discriminate against, or harass, others because of their sex, marital status, family status, employment status, ethnicity, race, colour age, sexual orientation, disability, political opinion, or religious or ethical beliefs
- to respect the cultural background of colleagues and clients in all official dealings
- to have due regard for the safety of others in the use of New Zealand Embassy/High Commission/Consulate, property and resources.

15.2 Employees shall conduct themselves in a polite, friendly and helpful manner.

16. MANAGING CONFLICTS OF INTEREST

15.1 Employees should perform their duties honestly and impartially, and act in a manner that will bear the closest public scrutiny. They shall avoid situations which might compromise their integrity, and shall ensure that no conflict exists or appears to exist between their private interests and their official duties.

15.2 Employees must observe the principles of fairness and impartiality in all official dealings. No individual or organisation with which an employee is involved may therefore be given preferential treatment (whether by access to goods and services or access to “inside information”) over any other individual or organisation.

15.3 In addition, employees should avoid any financial or other interest or undertaking that could directly or indirectly compromise the performance of their duties. This would include any situation where actions taken in an official capacity could be seen to influence or be influenced by an individual’s private interests.

15.4 Where any actual or potential conflict of interest arises with the full, effective, and impartial discharge of their official duties, employees should inform the Head of Mission. The Head of Mission will then determine the nature and degree of the conflict as it relates to their official duties, and decide upon the best course of action to resolve it.

15.5 Employees who in the course of their employment come into contact with information concerning a business enterprise in which they have a significant interest, or for whom a conflict of interest arises shall disclose the nature of that interest to the Head of Mission. They shall not make unauthorised use of information to which they have had access in the course of their employment nor shall they become financially or personally involved either directly or indirectly in any arrangements arising from the provision of advice.

15.6 The conflict, and the process for managing it, should be recorded in writing.

17. FRAUD PREVENTION

17.1.1 Employees shall comply with the Ministry’s Fraud Prevention and Response Policy. This policy requires all employees at all times to act

honestly, with integrity and to safeguard the resources for which they are responsible.

17.2 Fraud includes the theft of assets, improperly influencing a procurement or decision to achieve a personal benefit, forging documents or making false statements, improper use of information, and unauthorised access to information and communications systems.

17.3 Employees should report any suspected fraud to their Head of Mission. All cases of fraud will be investigated.

18. TRAFFIC ACCIDENTS

18.1 All employees shall comply with local traffic regulations and parking laws.

18.2 Employees using official vehicles shall pay parking fines and traffic infringements at personal cost.

19. OFFERS OF GIFTS OR GRATUITIES

19.1 Employees may not abuse the advantages of their official position for private purposes, or solicit gifts, rewards, or benefits which might compromise, or be seen to compromise, their integrity.

19.2 No employees shall accept gifts, gratuities or presentations, whether in the form of money, goods, free or discounted passages, accommodation, meals or other benefits, however they may be described, from any person, organisation or firm with whom the employee is in contact by virtue of their official position, without the approval of the Head of Mission.

19.3 Where offers are made of such gifts, gratuities or presentations, they should be reported by the employee, to the Head of Mission, who will determine the appropriate response, or final disposal of any gift already received.

19.4 Notwithstanding paragraphs 2.17—2.18 above, mere token gifts of appreciation (but not money) may be accepted with a value of less than (insert acceptable amount of local currency), and which do not, and do not appear to, place the employee under any obligation.

19.5 Employees shall not accept or solicit any gifts, goods, presentations, or any other form of reward or personal fee for services provided in the course of their official duties.

19.6 On no account shall an employee engage in, or recommend or facilitate, a particular course requiring illegal activity, including bribery or other

extra payments or consideration, to be followed in order to achieve a desired result.

- 19.7 This policy applies to gifts or hospitality offered or given to family members of employees when there is a clear link with the duties or official position of the employee.

20. AIRLINE LOYALTY REWARDS AND OTHER TRAVEL-RELATED BENEFITS

- 20.1 Employees may not seek or accept personal benefits deriving from their official position such as free or discounted travel by airlines or travel agencies for familiarisation purposes, free accommodation from hotels, or free rental car services from vehicle hire companies. Employees travelling on official business may accept but not seek upgrades of travel class offered by airlines.

- 20.2 Air points or other forms of airline mileage credits or rewards earned on official travel must be declared. Employees may not make personal use of air points or other airline loyalty scheme credits gained in the course of their employment. Because such travel is paid for from public funds, any benefit should accrue for official New Zealand **Embassy/High Commission/Consulate** purposes only.

21. PRIVILEGES

- 21.1 Employees shall not make illegal use of, or abuse, any privilege they may have as a New Zealand **Embassy/High Commission/Consulate** representative or staff member of a diplomatic mission.

22. MANAGEMENT OF PUBLIC FINANCE

- 22.1 No employee shall expend New Zealand **Embassy/High Commission/Consulate** money or incur costs unless duty authorised. Employees who are responsible for the financial management of public money, including expenditure of public money, shall comply with the provisions of the New Zealand Public Finance Act 1989, and with delegations, instructions, and notes concerning financial management, accounting, and other procedures. They shall discharge their financial management responsibilities in such a way as to be entirely beyond reproach.

23. WORKPLACE HARASSMENT

- 23.1 The New Zealand Embassy/High Commission/Consulate aims to provide a healthy, safe, respectful and professional working environment for all staff at post.
- 23.2 Workplace harassment is defined as any unwelcome verbal or physical behaviour, conduct or display of material which has no legitimate workplace function and which has the effect of offending, humiliating or intimidating another workplace participant. It may involve the actions of an individual or a group. It involves unwelcome behaviour from a colleague, manager, and employee, member of the public or a person whom an employee meets in his /her official capacity. Harassment includes unwelcome behaviour that occurs at work or between workplace participants in settings outside the workplace.
- 23.3 Harassment and bullying is not tolerated by the New Zealand Embassy/High Commission/Consulate and may result in disciplinary action.
- 24.4 Workplace bullying is defined as repeated inappropriate behaviour, direct or indirect, whether verbal, physical or otherwise, conducted by one or more persons against another or others, at the place of work and/or in the course of employment, which could reasonably be regarded as undermining the individual's right to dignity at work.
- 25.5 Workplace bullying includes language, visual material or physical behaviour that directly or indirectly intimidates, ridicules, or expresses hostility towards an employees(s) conducted by one or more persons, irrespective of seniority, in the workplace and/or in the course of employment. Bullying is unwanted, hurtful and offensive to the employee(s) and has, by its significant nature or through repetition, a detrimental effect on an employee(s).

24. KOHA / DONATIONS

- 24.1 A "koha" is a gift, a token or a contribution given in money or kind, as appropriate in interactions with individuals or groups within certain cultures. There may be occasion where the local cultural environment makes it appropriate to give a koha in return for traditional hospitality received. In such situations where official expenditure is involved, a manager's approval should be obtained, and the amount and explanation of the circumstances should be documented in each case.
- 24.2 A koha should not be confused with a payment for goods and services provided to the New Zealand Embassy/High Commission/Consulate. Such goods and services might include catering costs or venue and

equipment hire that would normally be arranged and paid for direct by the New Zealand Embassy/High Commission/Consulate.

Principle 3:

Employees shall not bring their employer into disrepute through their private activities

25. PERSONAL BEHAVIOUR

- 25.1 Employees should avoid any activities, whether connected with their official duties, personal relationships or otherwise, which might bring the New Zealand Embassy/High Commission/Consulate into disrepute, or jeopardise its relationships with its clients, or the general public.
- 25.2 As a general principle personal behaviour that does not interfere with the performance of official duties or reflect on the integrity or standing of the department, is no concern of the employer.
- 25.3 However, the New Zealand Embassy/High Commission/Consulate has a legitimate interest in the private activities of an employee where they reflect to the discredit of the New Zealand Embassy/High Commission/Consulate in its relationships with the host Government or the public, and/or possibly calls the employee's fitness for continued employment into question.
- 25.4 Whether such activities constitute misconduct will depend on the circumstances in each case, and may vary according to the position held by an employee. For example, some minor offences may be of no concern to the New Zealand Embassy/High Commission/Consulate where they do not involve breaches of trust, or otherwise impair the ability of employees to fulfil their duties. However, other cases may be of greater concern, particularly where some degree of publicity identifies the actions of an individual with their employment.
- 25.5 Of special importance in this regard is the duty of individuals to protect the New Zealand Embassy/High Commission/Consulate security and to comply scrupulously with guidelines or requirements established for that purpose.
- 25.6 Employees shall avoid behaviour, whether connected with their official duties, personal relationships or otherwise, which creates a potential conflict of interest, or which may offend, or appear to offend, against local laws or customs, or broadly acceptable standards of conduct.

25.7 Similarly, behaviour which might bring the New Zealand Embassy/High Commission/Consulate into disrepute, or jeopardise its international standing, or its relationship with another government or international organisation, or lead to any situation giving rise to the potential for coercion, is unacceptable.

25.8 In particular, employees travelling on official duties, shall maintain an exemplary standard of conduct and must not engage in activities which may bring discredit upon themselves or upon the New Zealand Embassy/High Commission/Consulate.

26. ADDITIONAL CLAUSES FOR SECURITY-CLEARED LOCALLY EMPLOYED STAFF

26.1 An employee shall report any attempt by a person or persons to bring pressure to bear, or offer an incentive, for the individual to either act, or decline to act, in a particular manner or in a manner, that may damage the interests of the New Zealand Embassy/High Commission/Consulate or the New Zealand Government.

26.2 To avoid the potential for coercion or for bringing the New Zealand Embassy/High Commission/Consulate into disrepute employees shall notify the Head of Mission where they have special financial circumstances or special circumstances relating to their personal relationships. Special financial circumstances shall include any level of indebtedness unable to be serviced by the employee's regular income.

ANNEX 2. Sweden's Ethical Guidelines for Service Abroad



REGERINGSKANSLIET

§ 1

8 February 2012

UF2011/71227/UD/EXPCH

Ministry for Foreign Affairs

Ethical guidelines for service abroad

1 annex

As a representative of Sweden, your personal conduct contributes to the image of Sweden. This applies both during stationing and official travel and both on and off duty. The role of a representative requires good judgement and an ethical approach. To be a holder of a diplomatic or service passport entails responsibility.

The Government Offices (Ministry for Foreign Affairs) has decided the Ethical Guidelines for Service Abroad in accordance with the *annex*. These guidelines apply to all officials posted at missions abroad, regardless of the authority responsible. Where relevant, the guidelines should also serve as guidance to the locally employed staff. They should be periodically highlighted, for example during planning days.

Missions abroad are to inform subordinate honorary consuls of the guidelines. The consuls are expected to take note of their content.

These guidelines replace the previous guidelines from 2004.

This decision has been taken by Director-General for Administrative Affairs Fredrik Jörgensen.

Copy to:
All missions abroad
Section offices
Swedish Institute Alexandria
All departments
Chief legal officer at the Government Offices

Postadress
103 39 Stockholm
Besöksadress
Gustav Adolfs torg 1

Telefonväxel
08-405 10 00
Telefax
08-723 11 76

E-post: registrator@foreign.ministry.se

2

The directors-general at the ministries of justice, defence and enterprise.

All human resources managers at the Government Offices

Sida

Swedish Trade Council

Swedish Armed Forces

NPB

Swedish Customs

Migration Board



REGERINGSKANSLIET

Ministry for Foreign Affairs

Office for Regulatory Supervision

Annex to
UF2011/71227/UD/
EXPCH

8 February 2012

Ethical guidelines for service abroad

About the guidelines

The following focuses on areas where past experience has shown that ethical and moral issues arise in connection with service abroad. These guidelines complement the Government Offices Ethical Guidelines. Officials answerable to an authority other than the Government Offices may also be required to observe the guidelines stipulated by their own authority.

Note that, with regard to some of the issues treated, there are mandatory rules in the form of laws, regulations and collective agreements, as well as steering documents of various kinds.

A lack of respect for these guidelines can influence the assessment of a posted official's suitability for service abroad. In serious cases, the issue of sanctions may be examined by a staff disciplinary board. For locally employed staff, this can involve a warning or other disciplinary measure.

Unsatisfactory conditions are to be reported to the head of the mission abroad or to the Ministry (UD RT).

Official representative or private person?

For you as a representative of Sweden stationed abroad, there is no clear boundary to the private sphere. Nor is it possible to completely divorce your conduct from your official role in contact with friends. What you say is also easily interpreted as an expression of an official Swedish position.

You are seldom an anonymous private person. Your private car most likely bears registration plates indicating that you are a member of an official Swedish representation. Your identity documents show that you are an official Swedish representative. If you are, for example, a member

of a sports club or other association you will soon become known as a Swedish diplomat. At your children's school and in connection with various out-of-school activities people will soon know who you are. Then you are not an anonymous private person. When choosing clothes and the use of political or religious symbols, you must be aware of how you can be perceived.

The operations conducted by missions abroad require analytical and reflective officials. It is just as important to be able to voice your own analyses and views inside the organisation as it is to speak for Sweden in an official capacity in external contacts. Even in cases where you do not personally agree with the Swedish positions, it goes without saying that you convey them in the performance of official duties and when associating with representatives of other countries. If you find it difficult to carry out certain tasks because your personal view strongly deviates from what you have to promote, you should raise the matter with the head of mission.

Naturally, as a Swedish citizen and public sector employee you have the right to be actively involved in various issues and to freely express your opinions verbally and in writing. As an official posted abroad you should also bear in mind that the scope to put forward private views can be limited and that you, in the eyes of the host country, are normally seen as an official representative of Sweden and the mission abroad. It is a question of confidence in you as a representative of Sweden. You should not, for example, make disparaging comments on circumstances in the country of posting.

Work ethic

You must show respect for the culture, situation and tasks of local employees. The internal forms of social intercourse should be characterised by that which characterises a good Swedish workplace. At the same time, you are to be sensitive to local customs and expectations. For example, you should not take it for granted that a familiar form of address can be used to locally employed staff.

You must be attentive and try to ensure that no one receives unwarranted special treatment. No one is to be discriminated against on grounds of gender, age, ethnic origin, religion or other beliefs, sexual orientation, disability or illness.

You are to follow the provisions of the Administrative Procedure Act and take pains to give applicants within the statutory services a good reception.

Improper use of position of power

An official posted abroad – and this applies particularly to heads of missions – has a special and privileged position in the country of operations. In view of your assignment or your financial or social position people around you may consider themselves to be dependent on you. You must be conscious of this and be careful not to behave in any way that risks your being perceived as demanding or expecting special privileges – or giving such privileges to others. It is inappropriate to have intimate relations, such as sexual relationships, with people with whom a state of dependence may be perceived to exist.

Corruption

Missions abroad sometimes work in environments where corruption is common. This puts great extra demands on the mission to ensure that corrupt conduct does not gain a foothold in the mission. The system of internal controls must be well-considered and be applied as intended. Then it will also serve to protect staff against unfounded accusations of corruption.

In international cooperation, Sweden works actively to combat corruption. Here, the missions abroad have an important part to play. We must be particularly careful so that corruption does not arise in Swedish-funded aid initiatives, in different forms of promotion activities or in the statutory services.

If irregularities at the mission are suspected, the head must normally be notified. You can also turn to the Ministry (UD RT) or, if the suspicions relate to development cooperation, to Sida (Compliance Officer).

Accepting and giving gifts, etc.

The dividing line between what is ‘proper’ and ‘improper’ is fluid and can vary with time and between different areas of activity. In general, the more your work or decisions can be perceived to influence the finances or general situation of the gift giver, the more restrictive you must be when it comes to accepting gifts or the equivalent. When exercising public authority there it is not allowed to receive gifts from the person affected by the decisions made.

Establishing, maintaining and promoting good relations is a central feature of diplomatic activities. Like the Ministry for Foreign Affairs in Sweden, the authorities of host countries often offer the diplomatic corps study trips to different parts of the country to meet representatives of the local administration, culture and business sectors.

It may be viewed as legitimate to participate in such a trip. However, if the host is a company, Swedish or foreign, there may be manifest commercial interests that make it necessary to set more restrictive limits to what is proper to accept, not least if the host intends to cover the costs.

If you are offered the opportunity, in the course of official duties or privately, to participate in training, trips, etc. which are paid for by a third country, the matter must be examined by the head of mission in the first instance. The matter may also be forwarded to the Ministry (head of UD RS).

Accepting – and giving – gifts (invitations to cultural events, parting presents, etc.) can also be an element of diplomatic work or contacts. Here it is also necessary to maintain a respectful distance to what is considered beyond the proper limits.

Gifts of minor value may normally be accepted. For somewhat more valuable gifts, or if you are hesitant about accepting a gift, a solution can be to accept the gift on behalf of the mission and, if it is of such a character, enter it in an appropriate inventory list. If it concerns consumer goods, for example alcoholic beverages, the gift can be shared by the entire staff during, for example, staff gatherings. Cash or similar gifts, however, may never be accepted.

Private business and the diplomatic assignment

Diplomats and other officials posted abroad often have special privileges under the Vienna Convention on diplomatic relations or other international treaties. These may concern the tax-free import of consumable and capital goods, the purchase and tax-free sale of motor cars, etc., in accordance with the decisions of the receiving country. These privileges have emerged to facilitate diplomatic activities. They may not be used improperly. Parking fines must, for example, be paid.

Conflict of interests and the economic responsibility of heads of missions

At missions abroad, which are often small, the conflict of interests issue is always present. This is particularly true of decisions that concern the reimbursement of expenses to the head of mission for official travel and official entertainment, and the regulation of privileges enjoyed by the head of mission under the Agreement on Service Abroad. The decision-maker in the matter of reimbursement of expenses, usually the deputy head of mission or accounting officer, may be perceived to be in such a position of dependency in relation to the head of mission that this may

constitute a situation similar to a conflict of interest. Therefore, the Ministry's rules on right of decision-making and right of approval carry particular weight. In the event of disunion between the head of mission and the accounting officer or deputy head of mission, the matter is to be submitted to the Ministry (head of UD EKO).

The head of mission takes decisions within the framework for leadership on the use of resources at the mission's disposal. In particular, decisions that directly affect the head him/herself, such as the allocation of official entertainment funds and the use of official vehicles, set the tone for the mission. The head must set a good example in all situations.

If the head intends to employ, engage as a paid consultant or engage as a trainee their accompanying spouse/partner or other close relative, the matter must be submitted to the Ministry (the head of UD P). The same procedure applies if the head intends to approve a trip for their spouse/partner financed by the mission's budget. If the head decides to travel to Sweden on official business, the Ministry (management recruiter) is to be informed.

If a matter of a secondary occupation that may erode confidence should arise, the matter is to be examined by the head of mission in the first instance. The matter may also be forwarded to the Ministry (Director-General for Administrative Affairs).

The purchase of sexual services, etc.

Wherever you are, you are to respect Swedish legislation on the prohibition of the purchase of sexual services, sexual exploitation of children and child pornography. You are not to visit pornographic clubs.

Sexual harassment must not occur.

The mission's computers, etc. are supplied for operational activities and are naturally not to be used to access or distribute pornographic material.

Alcohol, narcotics and other drugs

In situations where alcohol is present, you must be aware that, as an official posted abroad, you are in view whether you are on duty or not. You should always keep your alcohol consumption within such limits that you are perceived as a good representative of Sweden. It is important to remember that the tolerance level for what constitutes good practice can be much more restrictive abroad than it is in Sweden.

As regards driving a motor vehicle and alcohol, many countries allow higher blood alcohol levels than Sweden, and some countries may not impose any limits at all. As a representative of Sweden stationed abroad, you are still expected to follow the Swedish regulations on alcohol and driving a motor vehicle even outside the country. If local regulations are even more restrictive, naturally they apply. When driving a motor vehicle on duty, zero tolerance should be observed.

As regards the possession and use of narcotic substances and other drugs, the same guidelines as those for alcohol and driving a motor vehicle apply. If you are posted abroad you are to follow the regulations that apply in Sweden. If local regulations are more stringent, naturally they apply.

It ought to be pointed out that your own awareness of security is lessened under the influence of alcohol and drugs of various kinds.

Persons with alcohol or other drug-related problems are not to be stationed abroad. If a substance abuse problem should become apparent while serving abroad, it is the responsibility of the head of mission to take immediate action. One's colleagues are also responsible for calling attention to a substance abuse problem. The Ministry (the staff consultants) is to be contacted.

Compensation for additional costs, etc.

The systems for compensation when serving abroad or when travelling abroad depend upon you making sure the employer is provided with correct information concerning such matters as your current family situation, expenses and income. You are required to keep your employer updated concerning the circumstances, and changes in circumstances, that may affect your compensation. You must inform your employer if you receive erroneous compensation. Incorrect information concerning financial circumstances may give rise to criminal liability. Illegal currency exchange is not acceptable.

Under the accommodation contract signed by all officials posted abroad it is not allowed to use the dwelling, or any part of it, for any other purpose than the accommodation of the official and his or her family.

Official entertainment

Official entertainment is important to the missions abroad for creating, maintaining and developing a broad contact network. Internal entertainment is intended for the mission's staff and for visitors from the authorities responsible for officials posted abroad.

Official entertainment must not be a form of disguised private hospitality. Under the current regulations, official entertainment is in principle to be decided in advance by the head of mission or by a colleague designated by the head. Questions concerning the application of the regulatory framework can be referred to the Ministry (UD PLAN).

Official travel

You are to hold down the costs of official travel by careful planning and booking as early as possible. Bonus points accumulated from official travel may only be used for other official trips. You may not fly business class or first class unless you have been granted a special exception.

Shipping belongings and additional items

Any goods you and your family bring with you in connection with relocation may, within the applicable framework, only consist of personal property. Should the issue of additional items arise, the matter can be referred to the Ministry (UD FAST).

Accompanying spouses/partners

The Ministry for Foreign Affairs endeavours to facilitate the employment of accompanying spouses/partners in the place of posting. Agreements on the relaxation of requirements for work permits for accompanying spouses/partners have been entered into with a number of countries. However, such work may not involve a conflict of interest with the operations conducted by the mission abroad. Please refer also to the section above on conflict of interests.

With regard to accompanying spouses/partners who are on leave of absence from employment at the Government Offices or another government agency, particular attention is to be paid to the regulations on confidence-eroding secondary occupations.

ANNEX 3. SIDA's "Guide to group discussions and exercises based on SIDA's online anti-corruption training"

Department for International Organisations and Policy
Support/Unit for Policy Support
E Bazine/J Donovan/M Lien

19 November 2015

GUIDE to group discussions and exercises based on SIDA's online anti-corruption training



In September 2015, Sida and the Ministry for Foreign Affairs launched a joint online anti-corruption. The course, which is accessed via *Sida Inside*,⁷ is mandatory for all Sida staff. The e-learning is a basic anti-corruption introduction that can be taken individually by employees and managers, but can also be an occasion for more in-depth learning using additional discussion and group exercises.

The purpose of this guide is to inspire you and provide suggestions for group exercises that can be performed in conjunction with or shortly after employees have completed the e-learning. The tutorial is for managers or other Sida representatives who want to link corruption issues with their own group's activities through reflection and discussion.

⁷ The e-learning is either at [kompetensportalen](#) for those of you in Stockholm or the learning platform ([lärplattformen](#)) for those outside of Stockholm.

The format of the guide follows the course structure with five different sections:

- 1) What is corruption?
- 2) Preventing corruption;
- 3) In cases of suspected corruption;
- 4) Ethical questions;
- 5) The international framework.

You need not follow this guide's structure or order; instead, you can freely choose the exercises and the sections you feel are most relevant and, if you want, adapt the exercises to your own activities. The focus of this guide is primarily Sections 1 and 2, where we discuss different forms of corruption and the importance of a thorough context analysis.

If you're leading the training, you should have completed the e-learning yourself and be familiar with its content and its relevance to the activities of the group. The exercises presented in this guide aim to draw lessons from the experience of the participants; therefore the focus should be on their discussion and reflection and to a lesser extent on the facilitator's own knowledge in the field. Because corruption/anti-corruption are complex issues, there is not always a "correct answer".

The time required for the training session depends on the level of ambition and the length of the individual reflection exercises, the number of exercises you want to include in the training session, and the number of participants attending the meeting.

The exercises are best with several smaller groups of three to five people, where participants have the opportunity to discuss within the group and between groups. Divide the participants into groups so that skills and tasks are adapted to the purpose of the exercises.

The exercises require no preparation from the members beyond having completed the e-learning. You can also conduct exercises in parallel with e-learning. The groups that want to immerse themselves further into the matter recommended to conduct the additional reflection exercise in Section 2 on power analysis. In that case, allow time for participants to prepare the task before the training.

Aim of the various proposed exercises

The guide's first section covers definitions of corruption. The exercise highlights corruption's different expressions and forms, and discusses the problems of defining something that many times is context-specific. Participants will reflect on different definitions and how they relate to Sida's definition. Finally the guide proposes reflection exercises on the causes of corruption and on the contexts in which corruption thrives.

In section 2 of the guide, there is an exercise of Sida's anti-corruption work and the importance of a thorough contextual analysis. Reflection exercises aim to discuss tools and processes available to staff and what we might need to do to improve them.

Section 3 concerns suspected corruption and the "red flags" you should be extra vigilant for. Each group will identify potential risk areas and suggest possible ways to manage the risks.

Section 4 deals with various ethical dilemmas. The guide proposes a short group exercise that compares participants' opinions, as well as a longer reflection exercise where groups should come up with acceptable responses in a variety of situations involving conflicts of interest, outside activities and gifts.

Section 5 provides an exercise where groups will search for information on anti-corruption conventions and institutions in the region or sector where some of all of the participants are working.

Exercises:

SECTION 1: WHAT IS CORRUPTION?

Definitions of corruption

What is corruption? Corruption is an umbrella term for different types of behaviour where someone exploits their position of power or their status to benefit themselves, such as an official working at a government agency, a politician or a purchasing manager in a company. It might also involve benefitting other people's interests in an inappropriate way, such as family members, a political party or a private business.

Corruption exists in rich countries and poor ones, and in democratic and in non-democratic societies. Across much of the world, corruption is a very serious social problem with major consequences on many levels.

How corruption is to be defined is a difficult and ongoing topic of debate. In some contexts the emphasis is placed on legal aspects, while in other cases it involves power structures and a country's governance at systemic level.

Some definitions are restricted to corruption in the public sector, whereas in reality the problem exists in and between all sectors of society, particularly in the interplay between the private and the public sector. There is no general internationally accepted definition.

[Click the boxes to read how the different bodies define the concept.](#)

UN

Transparency International

The World Bank

U4

Swedish law

Sida

Corruption is a collective term for different kinds of behavior. The definition of corruption varies slightly between the institutions, such as the World Bank, the UN, and Transparency International.

Sida defines corruption as:

an abuse of trust, power or position for improper gain. Corruption includes e.g. offering and receiving bribes – including bribery of foreign public officials – embezzlement, conflict of interest and nepotism.

One challenge with anti-corruption work is that there are many different forms of corruption, and moreover the perception of what corruption is varies from individual to individual. Formulating a globally acceptable definition of corruption has not proven particularly rewarding. However, understanding how corruption is perceived and can express itself is crucial to understanding the threat of corruption within Sida, within cooperation partners and in the different environments where Sida is active.

Reflection exercise: Types and definitions of corruption

Let the participants split up into smaller groups and reflect on the following questions for a few minutes:

- Give examples of common, typical corrupt acts.
- How would you define corruption?

Have each group briefly answer the first question ("Give examples of common, typical corrupt acts") by providing short examples of corrupt acts.

As the facilitator, write the the responses on the board. After all the groups have responded, sort the answers on the board. The result might look like this, for example:

Suggestions of different forms of corruption

Bribery
Embezzlement
Conflict of interest
Blackmail
Nepotism

Then ask for the groups' response to the second question ("How would you define corruption?").

Compare groups definitions of the different types of corrupt behavior on the board:

- 1) Do the definitions include all sorts of corruption?
- 2) What's missing?
- 3) Which actors are implied by the definitions?

Present Sida's definition of corruption ("... an abuse of trust, power or position for improper gain. Corruption includes e.g. offering and receiving bribes – including bribery of foreign public officials – embezzlement, conflict of interest and nepotism") and ask:

- Do they think Sida's definition is a good definition?
- Does Sida's definition cover all the types of corruption that are on the board?
- What is different between the groups' definitions and Sida's definition?

Discuss Sida's definition – "an abuse of trust, power or position for improper gain" – by asking these groups what these words mean to them:

- Abuse
- Trust
- Power or position
- Improper gain

Ask the groups to briefly summarize their reflections and try to find common definitions and perceptions. For whose use and benefit? Whose trust? What is improper gain?

Reflection exercise: Causes

Keep the categorization of corrupt acts on the board. Have each group identify two typical examples of corrupt acts, if possible based on their own experiences.

- Give an example of a situation where action may occur
- Why does the corrupt act occur in this particular situation?
- What context enables the corrupt act in this situation?

SECTION 2: PREVENTING CORRUPTION

Combating corruption in Sweden's partner countries

An important part of Swedish aid is to help to put in place conditions for reduced corruption in partner countries and support the anti-corruption work of different actors.

Corruption is not primarily a legal problem, but mainly a political and social problem. This is why general, standardised measures do not work. Initiatives need to be adapted to local political and social conditions and it is essential to have good knowledge of the situation in the individual country or sector.

Measures should not solely be focused on reducing corruption but should instead help to change the structures of society, formal and informal, that make corrupt behaviour expedient. It is vital to identify and support trustworthy actors of change.

Anti-corruption work is long-term work that demands persistence and a political will.



Click the button to see some types of Swedish support in development cooperation that directly or indirectly can help to reduce corruption.

[Read more](#)

Sida's work preventing and combating corruption takes place on several levels, from internal work to fighting corruption in partner countries to international anti-corruption cooperation. In order to understand corruption risks at all levels it is essential to have a thorough knowledge and understanding of corruption forms and expressions in the relevant context. Then relate these risks to the specific contribution or strategy. Remember that Sida's anti-corruption rule "always prevent, never accept, always inform, always act" means that you should always carry out preventive work, which in turn requires that you understand how corruption can arise in the context you are working in.

Reflection exercise: Tools for understanding corruption

Divide participants into small groups, ask the groups the following questions and ask them to give concrete examples:

- When we analyze contributions, sectors, countries, regions or global strategies, how do we deal with corruption?
- Do we include an analysis of corruption risks at all levels?
- Is corruption regarded as an obstacle to development, or just as a threat to the contributions?
- You cannot analyze everything. Are corruption analyses generally satisfactory, or there are there significant corruption risks that are often ignored? How should corruption be analyzed?
- What resources and tools are available to carry out these analyses?

Have each group record their answers and give a short presentation.

Thereafter sort their reflections and see where the groups have given similar answers.

Then discuss together in the larger group:

- Do we need to improve analyses or processes to understand the context better?
- If so, how can we improve our analyses and processes?

- What additional methodologies and resources do we need to achieve improvements?
- What resources does Sida offer that we have not used?

For those groups that wish to further their understanding of context analysis, there are different kinds of further studies:

- Studies on corruption in specific countries, such as Transparency International's [National Integrity System Assessments](#) and [Business Anti-Corruption Portal](#);
- Studies on specific sectors. For several sectors of interest to donors, the U4 Anti-Corruption Resource Centre has both general sector studies and studies on specific sector issues [both general sector studies and studies on specific-sector issues](#). If you work in a sector, you may know the sector organizations engaged in the fight against corruption, such as [UNESCO's International Institute for Educational Planning](#);
- Power analyses. Power is a central concept in the problem of corruption. To understand the distribution of power in the context where Sida is active, Sida⁸ and the U4 Anti-Corruption Resource Centre⁹ have guide to power analyses. If the participants lack experience of working with this tool, it can be a good investment to include a longer presentation of the tool for the group. There is also an additional exercise to deepen the participants' understanding of power analysis.

Additional exercise: Corruption in your sector, country or region

Before the reflection exercise, appoint a number of participants who have the time to study an existing corruption analysis on their own sector, country or region. Take advantage of the resources available. Give participants time to present their answers to the following questions:

- What types of corruption in the sector, country or region? What can you say about the scope?
- What drives and enables corruption?
- What is the effect of this corruption? How corruption affects Sida wants to achieve in the sector/country/region?
- Who and what prevents and combats corruption?
- Who/what wins out that corruption is not fought?
- How can Sida support the fight against corruption in the sector, country or region?

Additional exercise: Power analysis

Before reflection exercise above, appoint a number of participants who have the opportunity to study an existing power analysis (or do a brief power analysis of their own) on their sector, strategy, or region. Take advantage of Sida and U4's power analysis guidance. Give participants time to present their answers to the following questions:

⁸ Jethro Pettit, [Power Analysis: A Practical Guide](#) (Sida, 2013).

⁹ Marie Chêne, "[Political Economy Analysis of Anti-Corruption Reforms](#)", U4 Expert Answer (U4 Anti-Corruption Resource Centre, 2009).

- What kind of power (formal and informal) is there in the sector, country or region?
- How does this relate it to other types of power and groups?
- How does this power affect corruption and the activities that we want to support?
- Is there something Sida can do to counteract the unfair exercise of power? Are there ways in which Sida can work around the undue exercise of power?
- How could power analysis provide added value for Sida's work against corruption?

SECTION 3: IN CASES OF SUSPECTED CORRUPTION

Signs of corruption in aid

Corruption can take many forms and can occur at any point in an aid contribution. When do you need to be extra alert?

There are certain red flags that it is a good idea to be aware of, such as when a small number of people decide everything and when explanations for deviations from the budget are not satisfactory. To identify indications of corruption, it is essential to keep an ear to the ground and be alert and not only to focus on written reports but ideally also obtain an insight through face-to-face meetings and field visits.

[Click the boxes to read more.](#)

- Problematic reporting
- “Clean audits”
- Charismatic leaders
- Weak board
- Unreasonable invoicing
- Round numbers
- Lack of transparency
- Dubious choice of auditors
- Rumours

Sida often works in contexts with significant corruption levels. In addition to combatting corruption in the sector, country and/or region where Sida works, corruption must be fought in the projects, programs and organizations that Sida supports. Our work needs to be structured around these objectives. We need to listen carefully and reflect on from everything from personal meetings with the partner organizations' staff to audits and reports. We must consider corruption risks in everything from strategy processes to the preparation, implementation and monitoring of interventions.

As an employee of Sida, you have a duty to act in cases of suspected corruption and other irregularities. [Specific instructions](#) are on *Sida Inside*. According to the anti-corruption rule, managers and employees who suspect corruption must immediately report it to their superior and to Sida's investigation team investigation@sida.se. Anonymous reports can always be made to the investigation team. The development counselor at a Swedish Embassy shall in particular ensure that the embassy's ambassador (or the equivalent person) is informed. It is important that the information is kept within as small a group as possible, since there is often good reason for confidentiality. The decision maker with the right of disposal (*dispositionsrättsinnehavare*) will make decisions on the measures to be taken in

consultation with the investigating team.

Reflection exercise: “Red flags” or warning signs

Divide participants into small groups and appoint a spokesperson for each group to take notes. Suppose you visit an organization that is particularly exposed to corruption risks in a country and a sector the participants are familiar with. Let the groups discuss the areas, activities and warning signs they would be extra alert to during the visit.

Let spokesperson from each group move to another group and briefly present their own group's reflections.

Let the original groups reconvene after the brief presentation and ask them to identify possible risk minimization measures and responses to warning signs. Then have each group briefly summarize the risk areas, warning signs, risk mitigation measures and other responses.

SECTION 4: ETHICAL STANCES



All Sida's employees must follow the “Ethical Guidelines for Sida Employees” ([*“Etiska riktlinjerna för Sidas medarbetare”*](#), available only in Swedish). Employees who are stationed at Swedish embassies (or the equivalent) abroad must additionally follow the [*“Ethical Guidelines for Service Abroad,”*](#) which apply to all posted officials regardless of the organization that formally employs them. Regarding anti-corruption, the rules regarding gifts, conflict of interest, representation and people in dependent positions are of particular importance.

The ethical guidelines are designed to serve as guidance for ethical dilemmas and decisions. Sometimes the guidelines are clear about what your obligations are as an employee of Sida, while other situations that we face must be solved by using our own judgment and sense of what is right or wrong, appropriate or inappropriate. It is good if the facilitator leading the exercise has read the ethical guidelines and can refer to them in cases where the guidelines give clear answers. In cases where what is appropriate behavior in a given situation can only be resolved by the individual, it is especially important to encourage discussion and reflection on what signals an action sends and what the consequences might be. As government officials, we shall demonstrate integrity, exercise good judgment and have an ethical approach that earns respect. We must behave so that the public has confidence in us and the work we do. Is this the standard against which participants justify their answers?

For questions about the ethical guidelines – start by contacting the Department of Human Resources.

Reflection exercise: Ethical questions – short version

Give each participant two differently colored pieces of paper to hold up if they agree or disagree with a statement. Ask participants with conflicting opinions to justify their answers:

- It is acceptable to take a job with a partner organization directly after having been employed on Sida.
- It is acceptable to take a position at Sida immediately after being the employee of a partner organization.
- It is acceptable to sit on the board of an organization receiving Sida support.
- It is acceptable to end a Sida employment and directly thereafter become a consultant to Sida.
- It is acceptable to deal with a call-off from a framework agreement of a firm where a family member is working.
- It is acceptable to hold a Sida employment while receiving wages or other compensation from another organization.
- It is acceptable to take part in an excursion to a historical site funded by the host country during an international conference.
- It is acceptable to attend a sporting event at the invitation of a local civil society organization.
- It is acceptable to receive a gift if the value is less than SEK 500.
- It is acceptable to receive a gift if the value is less than SEK 300.
- It is acceptable to receive a gift if the value is less than SEK 100.
- It is acceptable to buy a personal computer or mobile phone at the same discounted price that Sida receives from one of Sida's suppliers.

Reflection exercise: Ethical questions – long version

Sida's Department of Human Resources has developed a training module on the ethical guidelines. Batteries of questions on conflicts of interest, outside activities, gifts and other benefits, representation and using the employer's equipment are of special relevance when discussing corruption. The module's full description is available here and includes in-depth multiple choice questions that can be discussed in groups.

SECTION 5: THE INTERNATIONAL FRAMEWORK



Chapter 5: International regulations

There are a number of conventions against corruption. The most extensive is the [United Nations Convention Against Corruption \(UNCAC\)](#),¹⁰ which focuses, among other things, on prevention and on the principle that assets lost due to corruption should be returned. Other conventions are the OECD convention that focuses on the person offering the bribe¹¹ and a series of conventions with a more regional focus.¹²

Information retrieval exercise: Anti-corruption conventions and institutions

Let the participants form groups with similar regional and thematic areas. Give them the following battery of questions to answer and summarize for the other groups.

- Has UNCAC been signed and ratified by your country? What anti-corruption conventions apply to your region? Has your country signed and ratified these conventions?
- Are there anti-corruption conventions/frameworks that are relevant to your thematic area?
- Which government institutions are responsible for anti-corruption issues in the country and the thematic area where you work?¹³ What other organizations in the private sector or civil society are involved in anti-corruption issues in your country?
- Are there international organizations or initiatives fighting corruption in your country or region?

¹⁰ See also the U4 Anti-Corruption Resource Centre's [website on UNCAC](#).

¹¹ [OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions](#).

¹² See OECD's website "[International conventions](#)".

¹³ See "[National and International Authorities/Bodies Against Corruption](#)" at Track, the legal library of the UN Office on Drugs and Crime (UNODC). See also the U4 Anti-Corruption Resource Centre's [website on anti-corruption agencies](#). N.B. While several countries have special anti-corruption agencies with varying roles and powers, Sweden has no such agency; instead many Swedish agencies share responsibility for fighting corruption (the Swedish National Audit Office (*Riksrevisionen*), National Council for Crime Prevention (BRÅ), the Swedish Prosecution Authority (*Åklagarmyndigheten*), the Swedish Economic Crime Authority (*Ekobrottsmyndigheten*), etc.) while a number of non-governmental institutions also working against corruption (the Swedish Ant-Corruption Institute (*Institutet mot Mutor*), Transparency International Sweden, etc.).

See also [Track](#), the legal library of the UN Office on Drugs and Crime (UNODC).

FINAL WORDS

For those who want to learn more about fighting corruption we recommend the [anti-corruption website](#) at *Sida Inside*. There are a variety of resources in the form of [support and help desks](#), as well as [anti-corruption training](#) available to Sida employees. At the [U4 Anti-Corruption Resource Centre](#), where you can find information for donors about corruption and send questions to U4's and Transparency International's joint [help desk](#).

ANNEX 4. SIDA Audit Manual

December 2014

Introduction

External auditing is an established and recognised tool for increasing confidence in financial information, monitoring compliance with acts and ordinances and following up that activities are conducted in an effective manner. Most countries have acts regulating the use of auditing with respect to private companies, public administration and non-governmental organisations. There are accepted standards for auditing, both national and international, and professional requirements for working as an auditor.

Sida views auditing and other forms of external scrutiny as one of several tools for enabling the agency to carry out its mission in compliance with acts and ordinances. Auditing is also one of several instruments used to counteract and detect irregularities and corruption. Sida's agreement governs the audit and/or external scrutiny to be implemented. Responsibility for the implementation of the audit stipulated in the agreement generally lies with Sida's agreementpartner. The agreement partner's normal audit procedures are to be used as far as possible once Sida has taken a position with respect to their quality in conjunction with the assessment of the organisation's internal management and control.

The purpose of this guide is to provide support for the application of Sida's audit requirements. In addition to this manual, support is available through controllers, Sida's audit advisor and helpdesk, audit.support@sida.se. Support is also available in the form of framework agreements with auditing firms. For anti-corruption work and the administration of suspected cases of corruption, there is an investigative function and anti-corruption advisors.

The Swedish National Audit Office and Sida's Internal Audit have audited Sida's application of its audit requirements and in several audits have found deficiencies in how the agency applies its audit requirements. Since 2010, a special audit initiative was carried out. One part of this initiative consisted of training for all officers and controllers. The audit requirements are now included in the rule for contribution management. The rule has been implemented in the process for contribution management, and this audit guide provides support for the application of auditing within contribution management.

The aim of the Department for Organisational Development (VU) and the Unit for Contribution Process (INPRO) is to offer good support for operational activities. We welcome feedback and comments on this guide or other support for managing audits and other types of external scrutiny.

Abbreviations and acronyms

ADB	African Development Bank
CA	Chartered Accountant England, Scotland, Canada
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CIA	Certified Internal Auditor
CPA	Certified Public Accountant USA
CSO	Civil Society Organisation
DAC	Development Assistance Committee (OECD)
EC	European Commission
FAR	Föreningen auktoriserade revisorer (the professional institute for public accountants in Sweden)
FAQ	Frequently Asked Questions
GAAP	Generally Accepted Accounting Principles
GBS	General Budget Support
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Accounting
ISRS	International Standard on Related Services
PBA	Programme Based Approach
PFM	Public Financial Management
PO	Programme Officer
RiR	Riksrevisionen (Swedish National Audit Office)
RN	Revisorsnämnden (Supervisory Board of Public Accountants)
SAI	Supreme Audit Institution
SNAO	Swedish National Audit Office
SNT	Standard för närliggande tjänster (Swedish for ISRS, see above)
ToR	Terms of Reference
UN	United Nations
WB	The World Bank
WBG	The World Bank Group

Chapter 1. Sida and auditing in development cooperation

1.1 Auditing and Sida's mission

Sida is a central government agency and, according to the Agency Administration Ordinance (SFS 2007: 515), Sida is to be run efficiently and in accordance with applicable law and the obligations pursuant to Swedish membership of the European Union, so that it can be accounted for in a reliable and correct manner and with effective management of central government resources. Sida's instruction (SFS 2010:1080) specifies that Sida's contribution agreements shall contain provisions governing follow-up, evaluation and audit. The Ordinance (2007:603) on Internal Management and Control places further requirements for a good process aimed at Sida's ability to fulfil with reasonable assurance the requirements laid down by the Agency Administration Ordinance. However, the instruction does not prescribe in detail what shall apply with respect to auditing.

The Ordinance on Internal Management and Control relates to the larger central government agencies, which are the same agencies covered by Internal Audit Ordinance. The Ordinance provides a general framework for internal management and control, emphasising the management's responsibility for internal management and control and for assessing and managing risks in the organisation. The Ordinance affects how Sida designs its management and how Sida assesses and manages risks in its organisation. To help the agency to meet the requirements of good internal management and control of its organisation, Sida has developed a structured and documented contribution management process, that since 2012 is handled in the IT-system Trac. Audits and other types of external scrutiny form part of this process as one of several instruments that the agency has to exercise its control responsibility.

1.2 Sida's audit requirements

Sida's audit requirements have been integrated into Sida's rule for contribution management.

The regulation governs Sida's contribution management and specifies auditing principles and management relating to Swedish aid channelled through Sida. The regulation also applies to organisations that act as forwarders of contributions. This manual provides support for applying the regulation and general information on auditing and other forms of external scrutiny excluding evaluation. Auditing and other forms of external scrutiny constitute one of a number of control mechanisms for aid and are intended for use in conjunction with the follow-up that takes place through formal financial and operational reporting, annual meetings and informal dialogue sessions, as well as through on-site visits and evaluation.

The following represents the main features of Sida's audit requirements, with reference also being made to the relevant sections in this manual:

- The agreement requirements with respect to auditing and other external scrutiny shall be based on the risk assessment carried out in connection with assessment and follow-up of the contribution.
- The agreement partner's regular audit procedures are to be used as far as possible, and the agreement partner shall be responsible for the implementation of the audit in accordance with the agreement.
- Sida shall in agreements have secured the right to call attention to the need for, or to order, its own special audit.
- Sida shall approve the auditor and, if possible, also the terms of reference for the audit.
- The starting point is the annual financial audit, where "annual" denotes a period of less than 24 months.
- Sida usually requires an assurance audit in which the auditor makes a statement with reasonable assurance on the financial report and other circumstances in accordance with the terms of reference. The report by the auditor shall, as a rule, encompass an audit report and an audit memorandum/management letter containing the auditor's observations during the audit.
- Agreed upon procedures in accordance with international standard ISRS 4400 may be used in certain cases.
- For amounts less than the threshold for direct procurement (since 1 July 2014 the threshold is SEK 505 800, however please observe that this threshold can be revised, for updated information, see Lag (2007:1091) om offentlig upphandling, 15 kap 3§), forms of control other than an assurance audit with reasonable assurance may be agreed.
- This may also be implemented for contributions of larger amounts if particular circumstances require this. The Head of Department shall then make a decision, and justification of the decision, and an audit advisor is to be consulted on the decision.
- Reasons for deviating from the requirement for a financial assurance audit shall always be given, with such deviations being linked to the risk analysis conducted in the appraisal.
- Audit of funds to Swedish government agencies shall be done by external auditors (this replaces since spring 2014 the earlier rule that Swedish authorities's own internal audit can be accepted if it is conducted by certified internal auditors)
- Audit conducted by the organisation's internal auditors can be accepted for some multilateral organisations. Sidas shall when possible take part of the audit reports for these multilateral organisations. When questions regarding a certain multilateral, please contact the multilaterals focal point, take part of information on Sharepoint regarding the specific multilateral, and take part of an eventual central assessment.
- An agreement partner that forwards contributions is to follow Sida's audit requirements and is responsible for the implementation of an audit or other control of the funds that they forward in accordance with that which is stipulated in the agreement with Sida.

1.3 The responsibility of the agreement partner

According to the Paris Declaration and the document from the High Level Forum in Busan in 2011, donors shall primarily channel their aid through the system of the partner country. For Sida, the agreement partner's responsibility is a guiding principle

and is applicable to all agreement partners in the Swedish development cooperation. This means that the funds supplied by Sida are to be handled primarily through the financial administrative systems of the agreement partner, including the partner's control system, such as auditing and other external scrutiny. An assessment of these systems therefore takes place in connection with the appraisal of a contribution. In order to manage the risks that have been identified, it may be necessary to provide specific support to enhance the organisation's capacity and/or make agreements on supplementary measures in the form of special audits or controls.

1.4 Area of application: the forwarding of contributions

It is not uncommon that a contribution means that Sida's agreement partner will forward a large part or parts of the agreement amount to other organisations, which in turn might forward the funds. Such mediation chains require special attention in terms of follow-up and control. The forwarding organisation is responsible for the forwarded funds being used and followed up in accordance with what is stipulated in the agreement between and the forwarding organisation.

Sida's responsibility

In connection with the appraisal, Sida must therefore ensure that the organisation has the capacity and procedures for this and that the agreement also regulates the control of the resources that are forwarded. This means that Sida's agreement partner, in the same way as Sida, must assess the recipient organisation's internal management and control and reach agreements on forms for follow-up, reporting and control, including auditing or other scrutiny.

In connection with the appraisal of support, Sida is to make an assessment of the capacity possessed by a prospective partner for forwarding contributions with satisfactory internal management and control. The appraisal is to clarify the following aspects:

- How great a proportion of the agreement amount is to be forwarded and the grounds upon which this is to take place.
- The procedures that Sida's agreement partner has for handling forwarding, including the capacity to assess and control the use of funds during the agreement period.
- The type of control and audit to be conducted by partner organisations in the various stages of the agreement period.

The agreement partner's responsibility for audit/control in the next stage

- Assessing the agreement partner's capacity for internal management and control, including auditing
- Reaching agreements on how control/audit is to take place,
- Securing a procedure for following up and documenting control/audit as stipulated by the agreement
- Ensuring that the audit made by Sida's agreement party follows up whether audits in subsequent stages have been conducted in the manner stipulated in the agreement.

- Informing Sida of any deviations.

1.5 Area of application: monetary limit

Agreement amounts less than the limit for the direct award of a contract

Since 1 July 2014, this amount is SEK 505 800 and represents the limit below which agreements on forms of control other than an assurance audit may be made (please observe that this threshold can be revised, for updated information see Lag (2007:1091) om offentlig upphandling, 15 kap 3§). Also in these cases, an assessment of the recipient organisation's internal management and control shall be conducted, as well as a risk analysis based on the information/description submitted by the organisation. However, in the agreement, Sida shall still always reserve the right to perform its own audit. The control of smaller agreement amounts may be performed in different ways:

- A limited audit by an external auditor by Agreed upon procedures (ISRS 4400)
- Excerpt from the organisation's accounts with a certificate from the Chief Financial Officer (or equivalent) of the organisation.
- Submission of Original receipts
- A random audit
- A site visit

1.6 Area of application: special circumstances

Sida's rule for contribution management affords a head of department the opportunity to decide on forms of control other than an audit in special cases and after consultation with Sida's audit advisors.

For co-financed interventions, Sida can accept another standard than an assurance audit, such as an Agreed upon procedures ISRS 4400, which is not an audit by definition. ISRS 4400 may also be appropriate when auditing contributions implemented by government agencies, as well as under other circumstances.

The special circumstances may also relate to activities carried out under particularly unsafe and hazardous conditions. In certain situations, it may be difficult to obtain original supporting vouchers or receipts at all, for example, where a recipient's acceptance of external support entails risk. In each of these cases, Sida needs to take a position on what type of control and follow-up is possible. For example, direct on site follow-up may be an alternative in order to verify results.

1.7 Harmonisation between donors

The Development Assistance Committee (DAC) at the OECD has developed guidelines for accounting and auditing in development cooperation (DAC ref.). The guidelines of aid architecture are constantly evolving, although a basic premise is that it is the partner country and the partner organisation are also responsible for auditing their financial reports and their activities.

Despite this, attitudes and utilisation with respect to audits and other types of external scrutiny vary among the different actors in development assistance. Some donors largely accept the audit procedures of the partner organisation, while others require an extensive external audit, sometimes using their own personnel. It is important that Sida personnel have sufficient expertise to be able to participate in discussions on various

kinds of scrutiny and audit requirements with both partner organisations and other donors.

Sida shall always try to coordinate its reporting and audit requirements and implement dialogue, analysis and follow-up together with other donors in co-financed interventions or programmes. Collaboration between the donors can lead to:

- A joint audit of the internal management and control of a prospective partner.
- Co-financed interventions being reported and audited in a financial report that includes the revenues of all donors.
- Donors being able to control that the same costs are not reported to multiple donors.
- It being less burdensome for the recipient to only manage a coordinated audit.

However, every donor always has its own formal responsibility for the position it takes.

One risk of coordination is that a well-coordinated donor group can become too dominant. The starting point should therefore be that it is the recipient that shall lead the coordination and be responsible for the implementation of control measures and audits.

With the coordination of audit requirements between donors, the whole becomes more important than the parts, and the traditional focus on the audit of individual projects is avoided. Another positive effect is that donors develop a joint approach to reporting requirements that are adapted to the situation in question.

Donors may also delegate the responsibility for managing a certain contribution to another donor. § 2.5 in the Contribution Management Rule states that Sida may utilise opportunities for collaboration with other donor countries, the European Commission and international and multilateral organisations, whereby the agency may allow a collaboration party to be responsible for the appraisal, implementation and follow-up of Swedish aid contributions if this does not encompass the exercise of authority, as well as itself assume corresponding tasks.

The most common scenario is that this takes place in co-financed interventions. In connection with the appraisal of such forms of support, it must be evident that Sida is aware of, and has taken a position on, the audit procedures applied by the other donor organisations.

Chapter 2. Audits and other types of external scrutiny

2.1 What is auditing?

There are different kinds of external audit. The table below shows various types of audit with reference to applicable international and Swedish standards. The term audit is often used as a generic term for various types of scrutiny, but should only be used for a certain type of external audit called assurance engagement with reasonable assurance. An assurance engagement involves the auditor expressing an opinion about the audited object or the audited information. This usually concerns historical financial information, but the audit of other information or other circumstances may also provide a basis for

an attestation, that is, a statement from the auditor. This may apply to compliance with rules and provisions or to certain processes having taken place in accordance with certain regulations, such as procurements.

There is also a category of audits according to agreed-upon procedures, which can be performed by a person who is not a certified public accountant/chartered accountant. This audit does not lead to a statement but shall nevertheless comply with the process and the principles expressed in international (ISRS 4400) or the equivalent national auditing standard (SNT 4400 in Sweden).¹⁴

The figure below shows the different types of audit that may be relevant.

Assurance engagement		Other services		
Historical financial information		Other information -sustainability report -systems/processes	Engagements to perform agreed-upon procedures regarding financial information	Participation in compilation of financial information (Compilation)
Statement with reasonable assurance = AUDIT	Statement with limited assurance	Statement with reasonable assurance or with limited assurance	No statement	
ISA 100-800 ¹⁵ (International Standards on Auditing)	ISRE 2400, 2410 (International Standard on Review Engagements)	ISAE 3000 (Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information)	ISRS 4400 (International Standard on Related Services)	

2.2 Assurance engagements and the auditor's statement

An assurance engagement means that “...the auditor expresses a conclusion designed to increase confidence in the intended users that are other than the partner responsible for

¹⁴ International Standards on Auditing (ISA) and Swedish auditing standard (RS).

¹⁵ ISA 100-800 defines standards for the various parts of the audit process. E.g. ISA 240 regulates the auditor's responsibility with regard to irregularities and ISA 260 regulates how communication is to take place with those responsible for a company's management.

the result of the evaluation or the assessment of an object in relation to an assessment criterion.”

The auditor's statement after an audit may be made with reasonable or with limited assurance.

The difference between an audit that results in a statement with reasonable or limited assurance lies in the scope of the audit work and the auditor's way of working. If the statement is to be made with reasonable assurance, the auditor shall perform the audit following basic preparatory work in order to understand the organisation's activities, organisation and procedures. This preparatory work is often based on the COSO model.¹⁶ The auditor makes an assessment of materiality and risk as guidance for the audit plan. The risk assessment governs the size of the random sample taken of the underlying bookkeeping data and various transactions as well as other audit measures.

In order to make a statement with reasonable assurance, the auditor performs a general audit of the accounting records with key ratios and interviews *without* auditing the underlying transactions. This type of audit can be appropriate for compilations of information coming from an organisation or unit whose combined accounts are audited by a separate arrangement.

Materiality and risk

No auditor is able to audit all of the available documentation during an audit. For this reason, the auditor uses various methods for selection of the areas to be audited. The concepts of materiality and risk are fundamental to all auditing. The auditor acquires a basis for the audit by analysing, for example, the processes, systems and procedures that take place in connection with financial transactions and the management's view of how these risks are managed and the measures of internal control that have been taken. An assessment of materiality and risk is used as the basis for how the auditor is to plan the work of the audit and how comprehensive the audit shall be. With the guidance of generally accepted auditing standards, the auditor selects methods that are effective for achieving the purpose of the audit and for providing a basis for the statement.

That which is considered material is determined by the auditor from case to case. FAR (the professional institute for public accountants in Sweden) defines materiality as follows:

A piece of information is material if it is missing or incorrect and if this affects the decisions that a user makes on the basis of the information in the financial statements.

¹⁶ A recognised model for the assessment of internal management and control has been developed by a committee within the private sector in the United States, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which started in 1985. COSO is a voluntary cooperation organisation in the private sector that engages in providing the management of companies and organisations with guidelines for the central management of organisations, business ethics, internal management and control, risk management, corruption and financial reporting. COSO has established a model for internal management and control which companies and organisations can use to assess their control systems. More information is available at www.coso.org.

The materiality criterion normally relates to large amounts or values. In some cases, even small amounts can be material if they are of fundamental importance and the auditor assess that there is a high risk concerning specific cost items.

Risk is generally defined as the probability that an adverse event will occur that leads to the organisation not being able to achieve its goals. Sida's general definition of risk is "A future uncertainty that matters". When the auditor plans the audit and determines how the audit is to be carried out, analysis is performed of key areas of risk. These may involve accounting and payment systems, cash handling, contract conditions, administrative procedures or other circumstances as stated above. The auditor may perform the risk analysis before the terms of reference and the focus of the audit have been decided. Otherwise, the risk analysis is carried out at the beginning of the audit engagement.

2.3 Other assurance engagements

An auditor may audit other information than historical financial information as the basis for a statement with reasonable or limited assurance. A prerequisite is that there is a standard against which to audit. This might involve audits against environmental standards or standards on regulatory application. It might also relate to administrative procedures such as procurement. A prerequisite is that there are reasonable criteria to audit against.

2.4 Audit by special engagement

Sometimes an assurance audit is not appropriate or possible. A client may wish to have an audit carried out in a certain way, of a certain scope and/or of certain circumstances. There is also an international standard for this type of engagement. IFAC's guidelines contain a standard for other financial auditing, "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" (ISRS 4400). This has a counterpart in the Swedish auditing standard; SNT 4400. This standard can also be used for auditing circumstances other than financial circumstances, provided that the auditor has expert knowledge and that it is clear as to what shall be audited and how the audit shall be conducted.

The auditor reports only his/her findings without making any assessment of these; this is the client's task. Thus, at this point, the reporting differs from an audit with assurance, where the auditor is obliged to make a statement about what has been audited.

2.5 Audit of internal management and control

Internal management and control

Internal control (according to COSO) is a process that enables an organisation's board, management and employees to be reasonably certain that the organisation is achieving its goals through:

- An effective organisation
- Reliable reporting
- Compliance with applicable acts and ordinances

In order to assess the internal management and control, the auditor generally audits the following five components that follow COSO's framework for enterprise risk management: control environment, risk assessment and control measures, information and communication as well as follow-up.

However, there is no professional standard for auditing internal management and control, and such an engagement generally requires more detailed terms of reference, even though many auditing firms have developed their frameworks for auditing internal management and control.

ESV defines internal management and control as “the process that guarantees with reasonable assurance that an agency is fulfilling its duties and goals in accordance with the requirements of the Agency Administration Ordinance”.

Good internal control with respect to finances/budget means, among other things, that responsibility, powers and procedures are ordered so as to reduce the risk of deficiencies or irregularities so that the accounting records are accurate and complete, and that costs can be verified by means of adequate documentation. It also means that the organisation's resources are used in accordance with the intentions of the board and management. There shall be documented descriptions of procedures, for example, to ensure the safe handling of funds, appropriateness, good management, regulatory compliance and effectiveness. The description of procedures indicates how, when and by whom various operational steps are to be performed. The control environment is the foundation for internal management and control. It is an indication of how the organisation looks upon the significance of internal management and control. The control environment is influenced by the management's integrity and ethics, accountability and authority, organisational design and human resources policy as well as by the management's view of competence and its own actions.

Sida works actively to counteract corruption. An audit of internal management and control should generally encompass an audit of the organisation's procedures and other efforts to counteract corruption.

The auditor's work in connection with an assurance engagement is based on the auditor's risk assessment. This usually involves a combination of auditing internal management and control and substantive audit procedures that involve the auditor verifying such things as costs through an audit of documentation. If the auditor's scrutiny shows that the internal management and control is satisfactory, he or she may undertake fewer substantive audit procedures; the opposite is also true. If an external analysis of the internal management and control is required in connection with the financial audit, a special engagement to the auditor is necessary. This is designed as a supplement to the terms of reference for the audit of the year in question.

Audit of internal management of control

In cases where Sida lacks sufficient knowledge about the internal management and control of a potential partner, an external analysis of the internal management and control may be needed. This should preferably be done before a new cooperation. The purpose of such an audit is to obtain information about whether the organisation has the capacity to manage funds from Sida. The audit includes a review and assessment of

financial systems, authorisation order, audit process, procurement regulations and other relevant internal regulations. The analysis shall lead to an assessment of the systems and recommendations and proposals for improvements, where applicable. The standard terms of reference are available in Word templates and on the Audit page on Inside. However, the terms of reference might often need to be adapted to the special engagement and to previously identified risks. It is very important that Sida adjusts the terms of reference for the specific assignment, since it increases the opportunities to receive reporting that can be used in an efficient way.

Efficiency audits

Efficiency audits can be said to involve an analysis of how an organisation functions in terms of capacity and resources in order to meet the objectives of the organisation. This includes areas such as human resources, recruitment processes, management structure, governing documents such as visions and strategies, internal management and control, etc. An efficiency audit therefore involves an organisational analysis that is based on a broad review and assessment of the core functions of an organisation. The analysis shall lead to an assessment of the systems and recommendations and proposals for improvements, where applicable.

An efficiency audit is usually most beneficial when implemented a little way into the agreement period. Regarding the assessment of an agreement partner that is to be made as part of the risk analysis in the appraisal phase in accordance with the rule for contribution management, an audit of internal management and control will suffice in most cases.

There is a standard terms of reference for efficiency audit on the Audit Support page that can be used as a starting point. However, the template should be adapted to the needs of the specific case.

2.6 Forensic audit – auditing upon the suspicion of irregularities

Sida's approach upon the suspicion of corruption and irregularities is: Always prevent, never accept, always act and always inform.

According to Sida's anti-corruption rule, employees have an obligation to act on suspicions of corruption. Suspected corruption and irregularities are to be reported immediately to the immediate manager and Sida's investigation group.

Depending on what the suspicion consists of, it may be necessary, in consultation with the investigation group, to order an audit or take other investigative measures. In cases where it is assessed that a suspicion shall be investigated through an audit, this most frequently takes place by means of an in-depth financial audit or a forensic audit. As each case is unique, it is important that the terms of reference be adapted to the specific case. Sida's investigation group assists with the preparation of terms of reference. Irrespective of the type of audit or other investigative measure selected, the purpose is for Sida to obtain a basis upon which to be able to make a decision regarding action.

2.7 Internal audit

Internal auditing is found in many Swedish agencies, international organisations and in some agencies in Sida's partner countries. For Swedish agencies, internal auditing must exist if the organisation has a certain turnover and is subject to the Ordinance on Internal Management and Control. An internal audit shall be an independent, objective and an audit and advisory function designed to add value and improve an organisation's operations.¹⁷ There is also a recognised international framework adopted by the Institute of Internal Auditors (IIA) for what shall apply to internal auditing and internal auditors. Internal auditing helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, management and control as well as governance processes. Internal auditing is an audit of whether the organisation's reporting is reliable and impartial, of compliance with acts and regulations, of whether assets are protected and resources are used efficiently and of whether the organisation is achieving its objectives. Internal auditing covers all aspects of an organisation and its activities, and thus not only the financial reporting and administration.

An internal audit should also work according to auditing standards and it has a system of professional certification. Read more about the IIA on its website, www.theiia.org. The Institute of Internal Auditors - Sweden is a member of the international body, more information is available on its website www.theiia.se.

With respect to the internal audit of central government in Sweden, it is the Swedish National Financial Management Authority (ESV) that has supervisory responsibility. The ESV issues advice and makes appraisals of the internal audit of central government in various agencies, www.esv.se.

May Sida accept audits conducted by the internal audit at an organisation? In practice, there is variation in the quality and capacity of internal auditing. According to Sida's rule for contribution management, Sida may, for some multilateral organisations, come to an agreement that the internal audit function within a partner organisation shall implement the agreement-regulated audit or scrutiny, provided that the auditors are certified internal auditors. This applies to certain multilateral organisations. This was earlier also the case for Swedish authorities, however this was changed when the Contribution Management rule was revised in July 2014, which means that Sida now require external audit for Swedish authorities that receive funding from Sida. The same quality requirements are placed on audits conducted by the internal audit function as on those performed by the external audit function. Since the internal audit function plans its work according to an analysis of risk and materiality, it is not certain that the particular activity that Sida finances will be audited if this is not stipulated in the agreement between Sida and the partner. Another prerequisite is that the internal audit function in question is able to set aside time for this and that Sida approves the terms of

¹⁷ "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." (The Institute of Internal Auditors)

reference to be used. Within the UN system, there are two forms of internal audit, the organisation-wide audit function of the Office of Internal Oversight Services (OIOS) and the internal audit at certain UN agencies, such as the UNDP and UNICEF, which have their own boards.

2.8 Other form of audit and control

The audit requirements of the new rule for contribution management provide an opportunity to agree upon an audit other than an assurance audit with a statement with reasonable assurance. The reason for this is that this type of audit generally requires relatively extensive work involving risk analysis and planning if the auditor does not have prior knowledge of Sida's agreement partner. Therefore in the case of smaller and less complex contributions, the control cost might be high in relation to the contribution itself. The opportunity to agree upon another form of audit or control shall be based on the risk analysis that constitutes part of the appraisal process, and the appropriateness of this must be determined in each individual case. However, assurance audits with a statement with reasonable assurance shall continue to be the form of audit primarily requested by Sida.

Attestation with limited assurance

This audit is not regarded as a full audit because the auditor's working process is simplified and because the underlying accounts and records are not audited. This kind of audit is thus used when it is question of a more general audit.

Agreed upon procedures

The standard used here is ISRS 4400, in Sweden SNT 4400. A review of this kind is based on terms of reference that define what is to be reviewed and how observations are to be reported. Here, the auditor reports findings in a report, but makes no statement about whether the reviewed report is consistent with reality. Neither does the auditor usually provide any recommendations, but only reports the observations made during the review.

Excerpt from accounts without/with a certificate

An alternative to an audited financial report might be a financial report supported by excerpts from the organisation's accounts. For larger organisations, an alternative might be that the chief financial officer in a certificate verifies the costs presented in the financial report. This form of control should be combined with a system of audits or other types of scrutiny conducted on a random basis. A certificate template is available for use.

Receipts and other supporting vouchers

The most basic form of supporting voucher is original receipts or supporting vouchers that attest to how funds have been used. The supporting vouchers are then included in the material that can be audited by the auditor. When contributions are forwarded, the recipient may report the use of these directly to the forwarding organisation. This is useful in the case of smaller contributions for a clear purpose.

Random audit or other scrutiny

An agreement partner that forwards contributions may arrange for a special audit or other scrutiny of a sample of recipient organisations according to an established plan or according to an annual risk assessment.

Chapter 3. Auditing standards

3.1 International auditing standard

International standards for external audit are issued by the IAASB (International Auditing and Assurance Standards Board)¹⁸ at IFAC (International Federation of Accountants). They are available on IFAC's website, www.ifac.org. FAR (the professional institute for public accountants in Sweden) has decided that these standards shall apply for assurance audits carried out by Swedish auditors, but not for other types of audit (www.far.se). The standards applicable to audits conducted by *professional auditors in Sweden* are included in the annual omnibus volume for auditing provided by FAR.

3.2 National auditing standard

Just as in Sweden, most countries have adopted their own standards for how the country's auditors are to work and the services auditors may provide. The extent to which the national auditing standard is in line with the international standard may vary. In many countries, a gradual adaptation to the international standard is taking place.

International auditing firms that operate in Sweden are generally able, through their international networks, to obtain information on the national auditing standards in various countries.

Sida may accept audits performed in accordance with the auditing standard adopted by the Auditing Standards Board of Chartered Public Accountants in the United States, U.S. GAAS (U.S. Generally Accepted Auditing Standards).

Sida also accepts other national standards that are adapted to the ISA. On IFAC's home page, there is a summary over which national standards that are considered equivalent international standards (ISAs), for link see <http://www.ifac.org/about-ifac/membership/compliance-program/basis-isa-adoption>

The World Bank also produces extensive country reports covering the status of the country with respect to subjects such as accounting and auditing as part of its initiative to support development in this area. There is a "Report on the Observance of Standards and Codes" (ROSC) for various countries (see further http://www.worldbank.org/ifa/rosc_aa.html).

¹⁸ //The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, quality control, review, other assurance, and related services, and by facilitating the convergence of international and national standards. In doing so, the IAASB enhances the quality and uniformity of practice throughout the world and strengthens public confidence in the global auditing and assurance profession.// tas bort

3.3 A professional auditor

There are different categories of auditor in Sweden: elected representative auditor, authorised and approved auditor, certified internal auditor and auditor at the Swedish National Audit Office. June 1 2013, the opportunity to become approved auditor with examination was removed. An approved auditor that before this new rule was taken had performed the examination, was then called authorized auditor. An approved auditor that had not performed the examination will keep the title as approved auditor. For each category, except elected representative auditor and approved auditor, there are special forms of further training, examination and certification. Different standards also apply to the discharge of duties even though they follow similar basic principles.

In Sweden, the central government agency, the Supervisory Board of Public Accountants (RN), is responsible for the exams that form the basis of the auditor authorisation issued by RN and which is necessary for working as an auditor. To become an auditor requires academic education, practical experience and passed written exam administrated by the Board. Exams are arranged within the framework of a several years of training programme both in the private sector and at the Swedish National Audit Office. Exams are since June 2013 arranged at one levels for auditors within the financial audit, the level of an authorised auditor. The Institute of Internal Auditors - Sweden organises courses and administrates exams for the certification of internal auditors. More information is available on the website of the Institute of Internal Auditors - Sweden.

In the partner countries, there is generally a system for approving auditors as well as national associations for auditors and accounting experts. The titles vary, the following being examples of common designations: *Certified Public Accountant*, *Authorised Public Accountant*, *Chartered Accountant*.

In Sweden, there are the following: *Auktoriserad revisor/Godkänd revisor (Authorised auditor/Approved auditor)*, *Statlig revisor (State auditor)*, *Certifierad internrevisor (CIA, Certified Internal Auditor)* according to international standard. There are also a number of specialised certifications (CGAP, CCSA, CFSa, CISA).

The ROSC reports mentioned above in this Section 3.3 also describe how the training and authorisation of auditors are arranged in each country.

3.4 Internal audit standard

There is also an international standard for how a professional internal audit and internal auditor shall work that has been established by the Institute of Internal Auditors (IIA), www.theiia.org. These standards constitute principles for how professional internal auditing is to be conducted and assessed. The Institute of Internal Auditors - Sweden has translated these standards into Swedish, and they are available on its website, www.theiia.se.

For the internal audit of central government in Sweden, there is the Internal Audit Ordinance (SFS 2006:1228) and application provisions issued by the Swedish National Financial Management Authority (ESV) that define requirements and standards for the internal audit of central government. More information about the internal audit of

central government in Sweden is available at:
www.esv.se/amnesomraden/Internrevision/.

3.5 Standard for the external audit of central government

The International Organisation for Supreme Audit Institutions (INTOSAI) is the international cooperation organisation of countries' national audit of central government (equivalent to the Swedish National Audit Office).

INTOSAI has a broad scope of work that encompasses standards on the audit of central government, further training and development cooperation as well as the audit of the member organisations.

INTOSAI has seven regional working groups: Latin America and the Caribbean (OLACEFS), Africa (AFROSAI), the Middle East and North Africa (ARABOSAI), Asia (ASOSAI), Pacific countries (PASAI), Caribbean countries (CAROSAI), Europe (EUROSAI). Within AFROSAI, there is a subdivision for English-speaking SAIs (AFROSAI-E, <http://afrosai-e.org.za/>).

INTOSAI develops and adopts standards at its congresses for the external audit of central government, such as financial (annual) audits, compliance audits and performance audits (www.issai.org). These standards are comprehensive and are similar in structure to those developed by IFAC, but are supplemented with standards relating to the audit agency's position and independence.

3.6 Is it possible to trust the auditor and the auditor's report?

This manual describes the use of audits and other types of external scrutiny on the basis that they function as intended. In many cases, this is precisely how they function, but it is also necessary to be aware of the limitations and uncertainties that may exist. Some examples:

- There are instances where the relationship of auditors to the audited organisation is far too close and thereby influences these auditors.
- The auditor performs an excessively limited audit based on inadequate preparation.
- The auditor has insufficient knowledge of the control environment and of the audited activities and organisation.
- There is a lack of professional experience and expertise, for example, with respect to auditing standards.
- Reluctance to report actual or suspected irregularities.

Local auditing firms in countries without a strong tradition of auditing cannot always be assumed to maintain the same standard as an auditing firm in Sweden. This can also apply to firms that are part of the networks of large companies. Professional responsibility and integrity may be more difficult to maintain in contexts characterised by conflict or where aid is an essential part of the resource flow. At the same time, there may be local firms and auditors that work with integrity and to a high professional standard.

Although Sida strives for audits and other types of scrutiny to be conducted in accordance with international standards, it is important to remember that even the concept and expectations of an auditor and auditing may vary.

Even though the auditor has issued an “unqualified” audit report, there can be serious misstatements and deficiencies. If there are “limitations of scope” in the statement, extra care must be taken. Warning signs include if the auditor writes that the audit was not possible to conduct as planned because not all the documentation was available, that there were systematic errors in the accounts or internal control procedures or that the management or financial officers would not cooperate with the auditor.

An auditor shall perform his or her engagement on the basis of the terms of reference. In other words, it is important that the terms of reference are clear, that the auditor has correctly understood the engagement and the auditing standards to be applied and that there is an understanding of how the engagement is to be reported. As an example, it may be mentioned that an auditor cannot be expected to specifically audit the risk of corruption or compliance with the agreement terms if these areas are not specifically stated in the terms of reference, or the auditor assesses that these areas constitute a particular risk and should therefore be audited separately.

If Sida is to have access to the audit memorandum/management letter for an organisation, this must be stated in the agreement as this report is addressed to the organisation's management and not generally to an external party, such as a donor.

Chapter 4. Audits and types of scrutiny in Sida's contribution management

4.1 The appraisal phase

In connection with the appraisal, an assessment is made of the organisation's capacity and control environment as a basis for the risk analysis and conditions regarding measures for risk reduction in the agreement. An examination of the organisation's audit procedures forms part of this. The first step is to request the audit reports for the last two years or the two last completed audit processes. The reports requested are the audit report and any management letter/audit memorandum as well as the organisation's position with any action plan for addressing observations and recommendations from the audit.

In this step, three areas are assessed:

1. The quality of the audit and the auditor's qualifications and the requirements that the organisation places on the audit.
2. The content of the audit reports and any management letter/ audit memorandum.
3. The organisation's procedures for following up the audit, for example if a position is taken on the audit (called a management response) with concrete action plans that both can be followed up and are followed up.

Warning signs:

- The organisation has had the same auditor for a very long time.
- No management letter/audit memorandum has ever been issued even though this has been part of the terms of reference.
- No specific observations or comments have been made in the audit report.
- It is the same auditor who compiled the financial report that has carried out the audit.
- The reporting has been delayed for no acceptable reason.
- The organisation lacks experience and their own procedures with respect to financial auditing.
- The audit has not led to any measures to address weaknesses despite the auditor having reported serious observations.

If Sida does not have access to documented information on audit procedures and the internal control environment, it should either have the organisation complete a self-evaluation template or have an external audit carried out of the internal management and control. For smaller contributions or contributions that for some reason need to be started quickly, or for larger contributions where Sida has positive experience of the partner, one option may be to initially base the assessment on a self-evaluation template, but agree that an audit of the internal management and control will be performed, e.g., after one year.

There may be restrictions on Sida's ability to commission a specific external audit of certain partners, such as the UN system, the development banks and other multilateral organisations. This also applies to the opportunity to use the self-evaluation template. If the multilateral organisation cannot complete one, the template may be used as a basis for dialogue, and the programme officer may use it for documentation purposes.

4.2 Risk assessment

In connection with the appraisal of a contribution, an assessment shall always be made of the prospective agreement partner's audit procedures. Questions are to be posed regarding the audit's technical characteristics, the content of the audit reports and how the observations from the audit will be followed up. Any weaknesses are recorded in the risk register and agreed measures may result in agreement conditions.

Examples of weaknesses might be:

- No audit is conducted; the organisation has no audit procedures.
- The external audit that is conducted is neither an assurance audit nor an audit by special engagement with clear terms of reference.
- The organisation's auditor has no professional qualifications.
- The same remarks about material deficiencies have recurred year after year.
- Indications of irregularities are not followed up.
- Remarks from the audit are not followed up by the organisation's management.

Risks might be that:

- The organisation's management has insufficient control over the handling of the organisation's financial and other resources.
- Responsibility and powers for managing the organisation's resources are unclear, resulting in the risk of resources being used incorrectly or inefficiently.

- The organisation does not live up to the requirements of acts and ordinances, for example in terms of taxes and employer responsibility.
- Aid funds are used for purposes other than those agreed.
- Irregularities are not counteracted, resulting in an increased risk of corruption.
- No improvement is made with respect to material deficiencies in the organisation's internal management and control, for example, with respect to financial administrative systems.

When performing the risk analysis, consideration is also to be given to the nature and mission of the organisation. A newly started or smaller organisation cannot be expected to have all systems and procedures in place. The proposed measures for risk reduction shall therefore aim to strengthen the organisation's capacity in the long term. For certain kinds of contributions, where good results are expected but where the risks are high, there can be a willingness to take higher risks than with other contributions. However, the starting point is always that there is to be an awareness of the risks, that these are documented and that efforts are made to reduce the risks through the application of appropriate measures, as well as continuously conduct follow-ups in order to assess if the risk analysis should be revised in any way.

4.3 The agreement phase

During the agreement phase, the agreed scrutiny/audits are to be conducted, as well as the additional measures that may be relevant. The risk assessment is updated if necessary. The agreed scrutiny/audits are to be followed up.

Sida's contribution management system provides guidance for the audit.

Examine the report on the basis of the agreement.

- Has the report been submitted within the agreed time?
- Does it relate to the correct period?
- Does it covers the area agreed, and has the audit been conducted in accordance with the agreed standard and by a qualified auditor?

Examine the report on the basis of the terms of reference.

- Has the auditor fulfilled the engagement?
- Does the report contain the attestations and/or information requested?
- Has possible forwarding of contributions been audited, if this was to take place according to the agreement and terms of reference?

Examine the contents of the audit reports.

- Is the audit report unqualified, that is, are there any limitations in the audit or in the statement?
- Are there indications of deficiencies in the control environment in the audit report that need to be followed up? If the report relates to an audit by special engagement, are there observations and statements that are indicative of deficiencies in the internal control environment?

Examine the organisation's audit procedures.

- Does the organisation take a position on the audit report and is an action plan prepared to address any observations and deficiencies?

- Does the action plan contain a timetable, and who is responsible for measures?

Be observant of the following:

- Audit reports that are not submitted on time to the partner organisation and Sida.
- The auditor's statement contains limitations.
- The auditor reports a lack of supporting vouchers/documentation for the costs accounted for.
- The approved budget is exceeded regularly.
- The auditor reports that there are questionable or unspecified costs.
- There are no procedures for procurement or these are incomplete.
- There is no inventory list or there are deficiencies in the same.
- There are instances of advances being provided to employees or persons who cooperate with the organisation.
- The auditor points out the same serious weaknesses as in previous years and that no measures have been taken.

In connection with the appraisal, the programme officer shall take a position on whether the weaknesses observed during the examination of the audit procedures can be remedied by means of support in order to develop the organisation's administrative capacity.

4.4 Upon the suspicion of irregularities

Signs of irregularities with an existing agreement party are to be attended to immediately and the immediate manager and the controller shall be notified. In the case of suspected corruption, Sida's investigation group is to be contacted. The Director-General's secretariat accommodates Sida's investigative function for suspected corruption and Sida's whistleblowing function. Here, reports of suspected irregularities may be submitted anonymously. Depending on what the suspicion consists of, it may be necessary, in consultation with the investigation group, to order an audit or take other investigative measures. In cases where it is assessed that a suspicion shall be investigated through an audit, this most frequently takes place by means of an in-depth financial audit or a forensic audit. The investigative function is staffed with three people, a lawyer, an audit expert and a coordinator and has its own budget for investigations.

Chapter 5. Partners and forms of cooperation

5.1 Bilateral cooperation

In bilateral development cooperation, the agreement party is often the Government and/or other public body, ministry, agency or a special function. There is also cooperation with public organisations/institutions at the regional or municipal level.

Audit capacity

In order to formulate agreement clauses on control and auditing, Sida requires knowledge of the capacity and expertise that exists in the partner country within this area. Normally, such an assessment is made when producing documentation for a country programme if it is a question of cooperation with central government or another part of the public sector. In this context, it may also be warranted to assess the audit capacity within *the private sector*, which in some cases may serve as a complement to the public audit.

The embassy may require access to professional audit support in order to perform various types of scrutiny and audit of agreement parties, or as a means of capacity support for the embassy. Sometimes a supplementary audit of an aid-financed public activity may also be relevant. In some cases, an audit of this nature may take place following procurement through the country's national audit office. An embassy should normally have a framework agreement with an auditing firm. Templates for the tender invitation and for terms of reference for the procurement of local audit services are available on the Audit page on Inside.

Auditing in the public sector

That which is assessed relates, among other things, to how the audit of central government is organised. A "Supreme Audit Institution – SAI" can be organised in different ways and in accordance with different traditions. In general, one can distinguish between national audit bodies that are structured according to the system that exists in the English-speaking countries and that report to the country's parliament. Auditing in the Latin tradition has a quasi-judicial organisation, even if the function is largely the same. The mandate of the public audit is usually regulated in the country's constitution or in a separate enactment. A distinction is usually made between three types of audit: financial audits involving scrutiny of accounting and financial administration, audits of compliance with current regulations and performance audits. It is common for the audit of central government only to encompass the audit of accounts and compliance. There are also instances of the audit organisation also having the engagement to audit the country's budget.¹⁹

An assessment of the public *external* audit takes place in connection with the assessments of the countries' financial administrative systems conducted by the World Bank and other major donors such as the EU. The Public Expenditure Financial Accountability Assessment (PEFA, see www.pefa.org) managed by the World Bank includes an audit of six main factors. In connection with a PEFA audit, both *the internal* and *the external* audit of central government are assessed. PEFA's assessment is made on a scale A-D. The factors assessed are the level of coverage including the use of auditing standards, audit frequency and how the audits are followed up. (<http://siteresources.worldbank.org/PEFA/Resources/PMFEng-finalSZ.pdf>)

Other criteria for assessing the audit of central government by an SAI have been developed by AFROSAI-E within the framework of development initiatives. The criteria form the basis for the self-evaluation of member organisations. Assessments are made of a number of factors within each criterion which lead to an overall assessment of the organisation's development on a scale of 1 to 5. The five areas assessed are:

Independence and Legal Framework, Organisation and Management, Human Resources, Audit Standards and Methodology as well as Communication and Stakeholder Management. There is a guideline including indicators for defining the level.

A summary and overview report of the organisations' self-evaluation is compiled each year and provides a picture of the institutional development.

A SAI on level 2 has certain tools and procedures in place that are needed for the organisation to be able to function in accordance with international standards. When plans, structures and standards are implemented and used to a degree approaching 100%, the organisation has reached level 3, something which can take several years. The two highest levels, 4 and 5, are much more difficult to achieve. A SAI that considers itself to be at level 4 meets all the requirements for an SAI, is independent and carries out correct audit and communication processes to a degree of 100% but, most importantly, all stakeholders (such as the country's parliament, employees) believe that the institution functions entirely satisfactorily. An SAI that is among the most developed INTOSAI members is usually considered to be at level 3 or 4. (<http://afrosai-e.org.za/institutional-capacity-building-framework>)

There are different traditions with respect to the organisation and focus of central government audit activities. A distinction is often made between an Anglo-Saxon and a Latin tradition.

The Swedish National Audit Office has a specific mandate and a special aid appropriation in order to participate in the capacity development of other agencies that audit central government.

Audit reporting from SAIs

In partner countries where Sweden provides support channelled directly through the country's system, the audit is also to primarily take place through the country's supreme audit institution (SAI). When producing documentation for a country strategy, an assessment is generally made of the public financial administrative systems if the strategy involves channelling resources through the country's public systems. This assessment includes the country's public audit bodies and any internal audit function. In connection with the appraisal of a contribution in which funds are to be channelled through the country's systems, an assessment shall also be made of the country's audit and of any internal audit function within the public organisation that is an agreement party to Sida or the embassy. This assessment is a total appraisal of the external audits that have been performed (see page xx) and of any previous Swedish experience and/or experience from other donors.

In the assessment prior to the initiation of sector support, an assessment should also be made of the capacity within the ministries or other relevant public organisations. This includes an assessment of internal control systems and internal audit.

Even though the use of the supreme audit institution is the starting point, supplementary audits may be relevant. These can vary in nature:

- Annual or extra audits carried out by the country's SAI. This assumes, however, that the audit organisation has such capacity and that this does not threaten the independence of the audit agency. Additional resources may need to be introduced, and this should be taken into account in the appraisal.

- Annual external audits of the financial report from delimited projects carried out by a public agency in the partner country. For contributions involving well-defined projects or for contributions of particular risk, alternative and supplementary audits and types of scrutiny should be agreed upon. An example is contributions that include large procurements.

In countries where more comprehensive resources are channelled through the country's financial administrative systems, the reporting from the country's SAI should be followed up in the same way as the management and follow-up of reporting by those responsible. Such follow-up may be common to several donors.

5.2 Civil society organisations

Civil society organisations include various types of organisations. The support provided to these organisations' activities takes place through core support or as *project/programme support*.

With core support, the organisation will use its ordinary systems and procedures to implement and report its activities. This also includes audit procedures, which means that the starting point is for Sida to accept the statutory, financial audit required of the organisation in accordance with acts and ordinances in the relevant country for the form of organisation in question. Sida, in connection with the appraisal, must still always assess and take a position on whether the quality of the statutory audit is sufficient. Sida should require that the audit be an assurance audit. If this requirement means that the organisation's financial audit becomes more extensive and more expensive, this can be resolved by Sida increasing its financing to the organisation by the corresponding additional cost for an assurance audit.

If the support is project/programme support where Sida is the sole financier or co-financier together with other donors, the financial report prepared shall be subject to audit. The starting point for Sida is that the audit is carried out in accordance with ISA 800/805. Engagements to perform agreed-upon procedures regarding financial information, 4400, may be relevant in the case of co-financing if the other donors make use of this type of audit. However, in such cases, Sida should be involved in approving the terms of reference.

5.3 Organisations with framework agreements

There are several partners that have framework agreements with Sida, both civil society organisations and government agencies. There are organisations with a framework agreement that also have agreements for special interventions with Sida.

Organisations with a framework agreement are generally forwarders of contributions to other organisations, and the framework agreement is to regulate how the control of these funds is to take place.

5.4 Swedish agencies

General information on external and internal audits.

How the audit of Swedish agencies is to be carried out is regulated in laws and statutes. The Swedish National Audit Office is responsible for the annual external audit of each agency as well as for thematic and question-based performance audits. Agencies with a certain turnover also have an internal audit function that is an independent auditing and advisory unit to support the agency's management. Both the audit by the Swedish National Audit Office and that carried out by an agency's internal audit function are based on an analysis of risk and materiality. This means that not all activities or all accounts are audited every year. This is also the case for projects carried out with funds from Sida. Because it is not certain that the audit carried out by the Swedish National Audit Office covers Sida-financed activities, Sida requires the financial report to be audited by an auditor in accordance with the same requirements that apply to other partners.

Cooperation agreements with Sida involving regulation of project/programme auditing

Sida's audit requirement for the support channelled through Swedish agencies is that the starting point shall be that the audit is to be carried out in accordance with ISA 800/805. In some cases, the audit may be carried out in accordance with engagements to perform agreed-upon procedures regarding financial information; 4400. The terms of reference are to be approved by Sida in advance and the audit is to be conducted by an external, independent and qualified auditor.

5.5 UN-organisations

Within the UN system, there are different audit functions, an external and an internal audit function. The external audit of every UN agency is generally carried out by the national audit organisation in one of the UN member countries that has this mandate for a limited number of years. The external audit function audits the organisation's annual reports and issues a statement regarding its reliability as well as a report containing observations and recommendations addressed to the organisation's management.

The internal audit is carried out partly by the Office of Internal Oversight (OIOS) and partly by the internal audit function found within each UN organisation. The internal audit function forms its annual audit programme based on a professional assessment of materiality and risk.

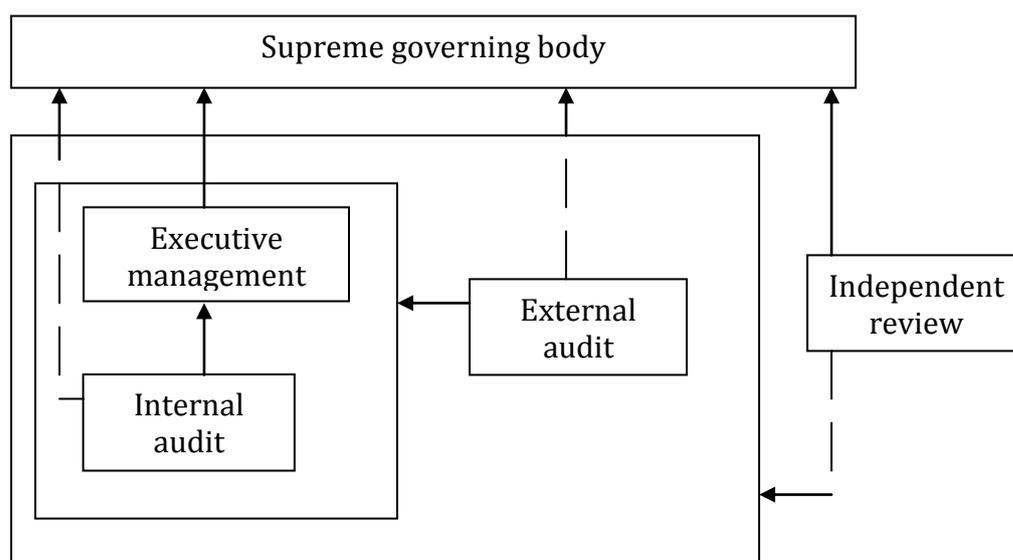
According to UN Financial Regulation 5.15, OIOS is responsible for conducting independent internal audits. These audits are carried out in accordance with international standards for professional internal audit.

The following definition of internal audit by OIOS is in line with the conventional definition: "The internal auditing function is an independent, objective, assurance and advisory activity designed to add value and improve the Organization's operations. Internal audits help the Organization to accomplish its objectives by bringing a

systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.”

Internal audit reports contain recommendations intended to address the shortcomings identified by the auditors in their audit. Those responsible for the audited activity are expected to act on the audit findings and recommendations and to also report its follow-up to OIOS, which monitors its recommendations until they are fully implemented.

The Internal Audit Division (IAD) currently has approximately 90 auditees comprising of the United Nations Secretariat, five regional commissions, select Funds and Programmes and other United Nations entities. With effect from 2008, its annual audit work plan is based on the results of risk assessments, while taking into consideration requests from the UN General Assembly and other relevant factors. Risk assessment involves identifying potential events or actions which may adversely affect the United Nations' ability to achieve its organisational objectives or execute its strategies successfully. It includes assessing the likelihood of such events or actions occurring and the impact they would have if they occur. This approach enables IAD to direct audit resources at areas that pose the greatest risk to the achievement of the Organisation's objectives.



Sida and auditing in the UN

How then are the funds and special programmes and projects financed by Sida audited? By virtue of Sweden (and hence Sida) being one of the Member States of the UN governing body, Sida has adopted the UN organisations' internal and external audit procedures, in accordance with Article VII. This also means that Sida cannot agree on special auditing terms; a single audit principle is in force. For UN organisations, it is therefore the UN organisations' own operational and financial reports that are the primary source of information for follow-up.

As a member of the board of the organisation in question, Sweden has access to some of the audits that are relevant for Swedish contributions, including internal audits, as of 1

October 2008. With respect to UNDP and UNICEF, it has previously only been possible to read the internal audit reports on site in New York following application to the UNDP's management. Both organisations have now introduced a system where all audit reports will now be published electronically on each website (taking effect in December 2012), but for the present, the UNDP is testing a system that will make it possible to access reports electronically. Sweden also has the opportunity to propose special audits and types of scrutiny with specific terms of reference, but cannot require them to be implemented. Such proposals are to be channelled through Sida's focal point for each organisation.

The internal audit is an audit of the local offices' management and risk management, of how the organisation manages and implements programmes and projects and of administrative systems and procedures. The internal audit function may make remarks concerning such matters as strategic planning, competence maintenance, the capacity of partners, follow-up and reporting as well as financial control, IT security, procurement and inventory management. In connection with the appraisal of a contribution that is intended to be implemented by a specific UN office, it may be a good idea to try to obtain a current audit of the office from the organisation's internal audit function as a basis for assessing the organisation's capacity and appropriateness for implementation of a given contribution.

The internal audit is partly an audit of how the organisation functions, e.g. the country offices, and partly of the projects and programmes implemented directly by the organisation in question.

In the case of activities where the UN agency only acts as an intermediary, there may be greater opportunity to, in connection with the preparatory discussions and the appraisal, influence the audit scope and the possibility of access to audit reports.

5.6 Development banks

The World Bank and the regional development banks generally have both an external and an internal audit function. The external audit function reports to the bank's board.

On 11-02-2009, the Audit Committee of the World Bank Group approved a new framework for the audit of trust funds, which also was supported by the World Bank Board.

From the fiscal year 2009, the World Bank will submit a joint financial report for all trust funds in the bank, in addition to its annual statement on internal management and control. These reports will be based on two separate audit reports from the external auditor: 1. a report concerning the internal control in order to produce the financial report on trust funds, 2. a report concerning the overall financial report for the trust funds.

For trust funds within the World Bank, there are monthly updates of the financial position. Donors are issued with passwords for access to this information.

If Sida, in special cases such as suspicion of irregularities, wishes the bank's external auditors to conduct an audit of a particular fund, Sida and the bank shall first discuss whether such a special external audit is necessary. Sida is to bear the costs of this action.

A single-donor trust fund may be created due to a particular donor wanting to finance specific activities to be implemented by the bank. There are also funds with contributions from several donors, multi-donor trust funds (MDTF), created to facilitate the co-financing of a given activity, project or programme. Such a trust fund can, for example, finance a larger programme conducted by another organisation or a partner country. The commitment of the various financing bodies is generally governed by a binding agreement (Administration Agreement). In order to implement the interventions financed with funds from the trust fund, an agreement is entered into between the bank and the organisation/agency that shall implement the activities financed (Grant Agreement). This agreement is to contain clauses that include the regulation of follow-up and audits. As a rule, the bank is then responsible for following up the audit conducted, but Sida should ensure in the agreement with the bank that access is granted to audit reports. Sida is to follow up both the content of the audit and how the organisation that administers the trust funds manages these. Although such a follow-up is often conducted jointly for the donors, Sida is responsible for inspecting and taking a position on the audit reports.

Sida cooperates with several other development banks, such as the Asian Development Bank, the African Development Bank, the Inter-American Development Bank (IDB), the European Bank of Reconstruction and Development (EBRD), the Council of Europe Development Bank, the European Investment Bank and the Nordic Investment Bank. Agreements with these and similar institutions are to contain a regulation regarding how the audit is to take place and Sida's access to the audit reports. Sida should endeavour for each trust fund to be audited annually and for Sida to have the right to request special audits in exceptional cases. The terms of reference for such a special audit are normally negotiated with the institution in question, and the cost of such an extra audit is usually covered by Sida.

As a rule, Sida itself cannot conduct procurements for auditors but is obliged to make use of the bank's ordinary external and internal audit functions. For some development banks, it is possible for each trust fund to be audited annually, through either the bank's external or internal audits functions. The internal audit may be accepted, provided that it operates in accordance with international standards for internal auditing.

For project/programme audits, the same approach is applicable as for other co-financed projects, that is, Sida shall approve the terms of reference for the audit and have the opportunity to read and comment on the audit reports.

5.7 Other multilateral organisations

Audits performed by the European Commission

There are two types of audit performed or initiated and controlled by the European Commission:

- Internal audit
- External audit

Internal audit

Within the European Commission, internal audits are performed by the Internal Audit Service (IAS) and internal audit structures within each Directorate General. The Director General of the IAS is the European Commission's internal auditor. He is answerable to the Commission for verifying the proper operation of budgetary implementation systems and procedures for the European Union's general budget and for the ninth and tenth EDF.

The IAS has full and unrestricted access to all information required to perform its duties, on site if necessary, even in the Member States of the European Union and in third countries.

The internal auditor also submits an annual internal audit report to the European Commission indicating the number and type of internal audits carried out, the recommendations made and the action taken on these recommendations.

External audit

The audits are an important part of the global control system at DG DEVCO. These audits are related to development assistance projects and programmes carried out by or for the Commission's services (headquarters and delegations)

As a rule, audits of projects and programmes are carried out by independent and qualified auditing companies engaged by the European Commission. In general, audit firms must be recognised and registered in the country in which they are based and must be authorised to attest the accounts in accordance with applicable legislation in the country.

At the end of each year, DG DEVCO submits an audit plan for the following budget year. The audit plan encompasses the Directorate's audit plans that include audit plans for their delegations established on the basis of a risk analysis.

External audits by the European Court of Auditors

The main task of the European Court of Auditors is to ensure that the European Union's general budget is properly implemented, with the dual goals of improving performance and of reporting to the European public about the use of public funds.

The objectivity of the work of the European Court of Auditors is guaranteed by its independence from the other institutions of the European Union and the European Union's Member States. The European Court of Auditors is free to decide the timetable for its work and how this is organised. In performing its duties, the European Court of Auditors looks at all documents and all information relating to the financial management in the departments subject the Court's control. It has the power to make inquiries of any official responsible for revenue and expenditure operations and to use all appropriate audit procedures. The European Court of Auditors may audit any organisation or person that administrates or is a recipient of European Union funds.

European Anti-Fraud Office, OLAF

In order to counteract fraud, corruption and other illegal activities, the European Anti-Fraud Office (OLAF) was set up in 1999. OLAF is an office under the European Commission with the task of counteracting fraud, corruption and other irregularities, such as misconduct committed within EU institutions.

5.8 Private companies

Accounting and auditing in limited companies, other companies, associations and foundations in Sweden are governed by various statutes, the Accounting Act (SFS 1999:1078), the Annual Reports Act (SFS 1995:1554), the Companies Act (SFS 2005:551) and the Partnership and Non-registered Partnership Act (SFS 1980:1102). The audit requirements depend on the size of a company and what is otherwise stated in the articles of association or bylaws.

5.9 Forms of cooperation

The design of the agreement's audit requirements depends on the partner in question and the form of cooperation. Aid statistics distinguish between three main categories of cooperation: programme support, project support and expert support. Below is an overview presentation of questions concerning auditing in the various forms of cooperation.

Programmes

1. *General budget support* for poverty reduction – non-earmarked funds to the state budget through the country's finance ministry. This aid is channelled through the recipient country's systems and is therefore handled in accordance with the country's systems and procedures. This form of aid is being used (in 2012) in four countries.

Since the support is channelled through the country's systems, it is also the case that the financial audit is conducted by the country's public audit authority, i.e., the country's SAI, as well as by the internal audit function and inspections or other internal control bodies.

2. *Core support* – is non-earmarked financing of an organisation's activities. Such core support may be provided to different kinds of organisations. The largest instances of support relate to organisations within the UN system and other multilateral organisations and are decided under special regulations. Sida can also provide core support to the activities of other types of organisations. A consequence of this is that audits are also, in this case, to be conducted in accordance with the organisation's own procedures. These shall therefore be examined and assessed in connection with the appraisal of a core support.

If, in connection with the appraisal, it becomes apparent that deficiencies in the organisation's audit procedures are such that they constitute a risk to an effective operation and/or a reliable handling of funds, specific measures should be considered with regard to whether support is otherwise deemed justified.

If the organisation receiving core support has forwarding activities, Sida shall assess the organisation's procedures for assessing the organisations to which they forward funds as well as procedures for the follow-up of these funds.

3. *Sector budget support* is channelled via the partner country's systems and relates to a priority sector that is usually managed by a specialised ministry. In connection with the appraisal, an assessment should therefore be made of the implementation capacity within the organisation(s) in question. This assessment should include control functions, such as internal audit. If appropriate, specific measures may also be agreed upon that may include capacity-building interventions, specific follow-up or control measures, such as external special engagement or audit.

4. *Sector programme support* can take various forms, but the starting point is that there is a programme owned by the recipient with overall objectives and a framework for follow-up. A programme can include several different activities within a sector, but within a joint framework. The donors' financing is often, but not always, placed in a common pot that is managed by another donor or bank, or the recipient. Sida may also co-finance a sector programme through earmarked funds that are managed by the recipient using a separate account or separate accounting. Also in these cases, the activities themselves may be carried out by one of the recipient country's institutions, but special procedures can be agreed upon for follow-up and control, including auditing.

5. Support to a *specific programme through an organisation* is also a form of programme support. The contribution is in these cases earmarked for a specific activity within the organisation. In these cases, auditing can be regulated in different ways. If the programme covers a very large part of the organisation's overall activities, at least 60%, the ordinary audit may suffice, provided that this is assessed to be satisfactory. One option may be for the organisation's auditor to be given a supplementary engagement for the special audit of the programme in question. The third option is for the organisation to commission a special audit of the programme.

Project support

6. A *project support* refers to a contribution that is delimited with regard to purpose, time and expected results. Sida can sign an agreement to implement projects with different partners, non-governmental organisations, public agencies in Sweden and in a partner country, private companies and multinational organisations.

There are cases of organisations receiving both core support and contributions for special programmes/projects. This applies especially to multinational organisations that receive organisation support through the Ministry for Foreign Affairs and Swedish organisations that have framework agreements with Sida.

The financial report for a project that is higher than the limit for the direct award of a contract shall, unless there are special reasons, be audited through an assurance audit by an external auditor and such supplementary engagements as may be warranted on the basis of the risk analysis.

For organisations receiving core support, the project audit may also be carried out by the organisation's ordinary auditor as a supplementary engagement, provided that the ordinary audit procedure is acceptable.

For projects co-financed by several donors, Sida shall approve the terms of reference for audits. In these cases, Sida may also approve an audit by special engagement, provided that it is clear what is to be audited and that it is clear within the donor group how the audit reports are to be managed.

Appendix 8 Literature and references

FAR	www.far.se
OECD	www.oecd.org
IIA	www.theiaa.org
IFAC	www.ifac.org
INTOSAI	www.intosai.org

ANNEX 5. Sida's Standard Terms of Reference for Annual Audit of Project/Programme Support

Version of May 2015

Introduction

Brief presentation of [cooperation partner]:

[The cooperation partner] wishes to engage the services of an audit firm for the purpose of auditing the [name of the project/programme], as stipulated in the agreement between [cooperation partner] and Sida. The audit shall be carried out in accordance with international audit standards issued by IAASB.²⁰ The audit shall be carried out by an external, independent and qualified auditor.

I. Objectives and scope of the audit

The objective is to audit the financial report for the period [year-month-day to year-month-day] as submitted to Sida and to express an audit opinion according to ISA 800/805 on whether the financial report of [name of project/programme] is in accordance with Sida's instruction for financial reporting as stipulated in the agreement including appendix between Sida and [cooperation partner].

II. Additional assignment; according to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below

- Follow up whether salary costs debited to the project/programme are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation.²¹
- Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by Sida for the period.
- Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs
- Follow up whether [cooperation partner] has implemented the following recommendations from the assessment of internal control: [xxx], [xxx] and [xxx].

²⁰ The International Auditing and Assurances Standards Board (IAASB).

²¹ If the budget includes salary costs to be debited to the project, the auditor shall always examine salary costs as stipulated here.

The examination includes reviewing whether [cooperation partner] has implemented the action points as described in [cooperation partner]s management response that has been submitted to Sida.

- Examine whether foreign exchange gains and losses are disclosed in accordance with what is stipulated in the agreement including appendixes.
- [cooperation partner]s compliance with the applicable tax legislation in regard to taxes (e.g.PAYE)²² and social security fees.
- Follow up whether [cooperation partner] has adhered to the procurement guidelines annexed to the agreement.
- Review if outgoing balance for previous period is the same as incoming balance for the current period.
- If [cooperation partner] applies modified cash basis as accounting principle, the auditor shall motivate whether the applied accounting principle is acceptable for this type of financial report.

Follow up of funds that are channelled to implementing partners

- Does [cooperation partner] have signed agreements with its partner organisations?
- Are the audit requirements in agreements with partner organisations in accordance with the audit requirements as stipulated in [cooperation partner]s agreement with Sida?
- Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between [cooperation partner] and Sida, for funds disbursed the previous year. The review shall include whether [cooperation partner] makes documented assessments of the audited financial reports submitted to [cooperation partner] and whether these reports are followed-up by [cooperation partner]. The review shall include verification of contributions equivalent of a minimum of [X] % of the total of disbursed funds as well as [X] % of the number of contributions. The review shall also include any observations from auditors that Sida should be informed about.
- Are the same requirements for reporting exchange rate gains/exchange rate losses as stipulated in the agreement between [cooperation partner] and Sida, included in the agreements between [cooperation partner] and its implementing partners?

²² Pay As You Earn

III. The reporting

The scope of the audit shall be stated in the report and the methodology used shall be presented.

The reporting shall be signed by the responsible auditor (not just the audit firm) and title.

The reporting from the auditor shall include an independent auditor's report in accordance with the format in standard ISA 800/805 and the auditor's opinion shall be clearly stated, as well as a Management letter with audit findings and weaknesses identified during the audit process. The auditor shall regardless of materiality, quantify the amount for costs lacking sufficient supporting documentation. The auditor shall make recommendations to address the weaknesses identified and the recommendations shall be presented in priority order. If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management Letter.

The additional assignment according to agreed upon procedures ISRS 4400 under paragraph III, shall be reported separately in a "Report of factual findings".

If the auditor conducts an additional assignment according to ISRS 4400 and assesses that the observations presented in the "Report of factual findings", include the information that would have been included in a Management Letter, a Management Letter does not need to be developed. In such a case, the "Report of factual findings" shall include an explanation of why a Management Letter has not been developed.

ANNEX 6. Sida Terms of Reference for a Review of Internal Management and Controls

TERMS OF REFERENCE FOR REVIEW OF INTERNAL MANAGEMENT AND CONTROL

*The blue text is help text that **must** be deleted before the Terms of reference is sent to the consultant. For more detailed information about assessments of internal management, please see the Audit Handbook. Replace [ORG] with the name of the cooperation partner, as well as other text marked with red.*

Background

According to Sida's Contribution Management Rule, a risk analysis shall be carried out during the assessment phase before Sida enters into an agreement with a partner organization. One part of the risk analysis consists of assessing the internal management and control of the potential agreement partner. Since Sida lacks sufficient information about the internal management and control of [ORG], a decision has been taken to contract a consultant to perform an assessment based on these terms of reference. The assessment will provide input for Sida when deciding on and designing the support to [ORG].

The estimated hours needed for the consultant to conduct the assignment is **XX** hours.

Description of the organization and the planned Sida support

Describe the organization based on available information; for example organizational form, geographical place(s) of its operations, time of establishment, activities etc.

Describe the planned support from Sida; amount, time frame, project support, core support, sub-granting, previous experience or if it is a new co-operation partner etc. Find out what audit firm the organisation currently has contracted to conduct the annual audit and include this information in the description of the organisation.

Aim

This assignment aims at assessing the internal management and control of [ORG]. The consultant is expected to identify eventual weaknesses. Based on the findings, Sida will require that [ORG] (hereafter called the "organization") addresses the weaknesses as appropriate before or during the agreement phase. Some of the measures will be included as agreement conditions to be followed up during the annual audit.

The assignment

It might not be necessary to include all areas below if Sida already has enough information. Some areas might on the other hand need a deeper assessment in case Sida requires more detailed information about e.g. the procurement process. Consult your controller when needed about what areas to include and the extent of the assignment.

Management and organization

- Is the organization an entity that has legal capacity to enter into an agreement with rights and obligations?
- Does the management structure have clearly defined roles, authorizations and authorities?
- Are there bylaw/statutes that clearly stipulate the mandate of the board and the organisation?
- Present the composition of the board, its members different competences, the election process and the board's insight in the operations of the organisation.
- Based on the above, does the board have sufficient and relevant competence, including competence in financial matters, for an organisation of this type and size?
- Is there a decision order that adequately ensures segregation of duties in regard to authorization of payments, different roles and responsibilities within the organization?
- Is there an office manual or equivalent stipulating rules and policies in regard to travel advances, other types of advances, petty cash, inventories, per diem level, routines for credit cards and payments etc? Do these rates and rules seem reasonable? Are travels with business class allowed, and what levels of per diems are applied? It is stipulated what standard of accommodation that is used for workshops and travels?

Risk Management

- Are risk analyses performed regularly, and are there routines for identifying, analyzing and taking risk reducing measures?
- What risks have the organization identified for its operations?
- Does the organization have sufficient staffing regarding resources, competence and professional knowledge in order to be able to work preventively and proactive with different types of risks?

Anti-corruption

- Is there an anti-corruption policy²³ or has the organization in other ways manifested that they work proactive against corruption? Are there satisfactory routines and systems for preventing, detecting and taking measures on fraud and corruption? Does the organization have documented ethical guidelines/code of conduct policy?²⁴
- Has it according to the organization occurred corruption cases, and if so, how has it been handled by the organization?

²³ Note that it is not a requirement from Sida that the organization must have a separate documented anti-corruption policy or ethical guidelines/code of conduct policy. However, Sida greatly emphasize the importance that the organization as a whole have an adequate system for preventing, detect and taking measures on fraud and corruption.

²⁴ See note 23 above.

- What eventual corruption risks have been identified during the assignment by the consultant that Sida has procured for this review?

Audit, procurement and financial management

- Is the organization audited according to national rules and regulations applicable to the legal form of organization that it is. What type of audit is it (ISA, national standard, assurance engagement, agreed upon procedures)? Does the organization follow-up on weaknesses identified in the audits in a systemized way? Is the auditor external, independent and qualified? During how many years have the audit firm been auditing the organization?
- Is there a procurement policy that includes adequate rules and regulations to manage planned procurement in compliance with applicable regulations? Sidas procurement rules for NGOs can be used to compare with. Check adherence to the procurement policy by reviewing a couple of procurements.
- Does the organization have an accounting software that allows for adequate accounting records for an organization of its size and operations? Is project accounting possible in the accounting software? How does the organization work with budget analysis and budget follow-up?

Forwarding of funds/sub-granting

This part of the terms of reference is only applicable if the planned Sida support includes forwarding/subgranting of funds.

Sida's support to the organization will involve forwarding/sub-granting of funds and therefore Sida needs to assess what routines and systems that are in place today when funds are forwarded to other implementing partner organizations. Based on the findings, Sida will decide on eventual additional requirements that are needed in order to comply with Sida's rules.

- Does the organization assess the recipient organization's capacity in regard to competence, resources, internal management and control and work on anti-corruption, and if so, in what way? Are these assessments documented?
- Are there signed agreements between the organization and its partner organizations in subsequent link? Are the rights and obligations of the recipient partner organizations stipulated in the agreements? Are the agreement requirements in accordance with what is stipulated in the agreement between Sida and the organization?
- What reporting requirements; financial and results; including audits, does the organization place on its recipient organizations? Are eventual findings and weaknesses in the audit reporting from recipient partner organizations followed-up upon by the organization in a systematic and documented way?

Time schedule and reporting

The set-up will look different depending on if the assessed organization is based in Sweden and/or in different countries, consequently the text below needs to be tailored. The start-up meeting might not be necessary but a closing meeting where the consultant presents the reports and its findings shall be held. Controller shall be present, and it is preferred that all program officers at the unit/embassy, and not only

the responsible program officer, should participate at the presentation for competence development.

The consultant shall make recommendations to address any weaknesses identified in the areas above. The recommendations shall be presented in order of priority.

The assignment will commence (**date**). A start-up meeting at Sida between the responsible programme officer and the consultant will take place during week (**week number**). The consultant is expected to visit organization's office(s) in (**contry/countries/Sweden**). These visits are planned to take place between (**month-day and month-day**).

The consultant shall hold meeting at Sida to present the report and the findings. Sida shall have the opportunity to discuss eventual needs for clarifications.

If costs without sufficient supporting documentation are found, these costs shall be quantified.

A draft report shall be submitted to Sida no later than (**date**). Sida will provide comments to the draft report no later than (**a week/two weeks**) after receiving the report. The organization shall have given comments in regard to factual errors before the draft report is submitted to Sida. The final report shall be proof-read and submitted to Sida no later than (**date**). The final report shall be submitted electronically to the responsible program officer below as well as to audit.support@sida.se

The tender shall be sent to Sida at the latest (**201X-XX-XX**). For requirements on tender and invoice, see below.

The contact person at Sida is (**name**); e-mail: (**XXX**) and telephone number: (**+46 8-698 XX XX**).

5. Specification of requirements in the tender

1. Tenderers shall present the planned methodology for the assignment.
2. Tenderers shall specify the consultant responsible for the assignment and the other consultants participating in the assignment. Tenderers shall specify the level of competence for the consultants allocated to the assignment. If suggested consultants are not on the list of approved consultants by Sida but are suggested as temporary consultants involved specifically in this assignment, Sida's template for CV must be used as an attachment to the tender. For the template, please see attachment 1 below.
3. Tenderers shall specify the total cost of the assignment, in the form of an hourly fee for each category of personnel and any other reimbursable costs for the part of the assignment carried out in Sweden and abroad. Reimbursable costs must as a minimum, when applicable, be specified with costs for per diem, accommodation and type of flight ticket, to make sure that economic class is used. If the tenderer assess that economic class for flight ticket is not for some reason possible, the tenderer must motivate this to Sida for an eventual approval. All types of costs shall be given in SEK, excluding VAT.
4. The invoice shall be specified in the same way as the budget as presented in the tender. Tenderers shall submit a time schedule for the assignment.

Attachment 1: Template for Curriculum vitae (CV) for consultant category 2

Tenderer:

Name of consultant:

Profession:

Titel:

Employed since:

Adequate education; university, college or equivalent:

Is the requirement above met? Yes

Summarise education at university/college of relevance for this assignment. Specify name of schools, when the educations were conducted and received degrees.

At least three years of professional experience within financial audit without assurance and/or efficiency audit.

Is the requirement above met? Yes

Summarize and describe professional experience within financial audit without assurance and/or efficiency audit below:

Experience of reviews of operations within international development cooperation or not-for-profit organisations.

Is the requirement above met? Yes

Summarise experience of reviews of operations within international development cooperation or not-for-profit organisations below:

Specify employments relevant for this assignment. Start with present employment and specify thereafter other eventual employments. Specify name of employer, dates for employments, title and content of responsibilities and where (in which country) work has been performed.

Knowledge in language:

Sida's definitions of knowledge levels:

1. Native speaker proficiency

Complete mastery of the language in all situations.

2. Full professional proficiency

Can establish and maintain successful social communication. Can discuss professional matters fluently, accurately and appropriately. Language will very rarely be a hindrance to a successful performance of tasks.

3. Minimum professional proficiency

Can initiate and take part in ordinary social conversation. Can discuss professional matters, but not always accurately or fluently. This level is minimum for a satisfactory performance of professional tasks.

4. Limited working proficiency

Can take part in simple social conversation. Can give simple instructions but cannot explain. Adequate for only for routine practical work. At this level there will be no real social or professional communication.

5. "Survival" proficiency

Understands some simple words and phrases. Can survive in the environment, but cannot communicate.

[Specify that the consultant qualifies for at least level 2 according to Sidas definitions above, mark with X. Local consultants from other countries than Sweden are not required to have language knowledge in Swedish.]

Swedish: English:

[Specify which (if any) of the languages below that the consultant qualifies for at least level 3 according to Sidas definition above – Mark with X. Add eventual knowledge in other language if applicable, for example portuguese and swahili.]

Spanish:	<input type="checkbox"/>	Level:	
French:	<input type="checkbox"/>	Level:	
Arabic:	<input type="checkbox"/>	Level:	
	<input type="checkbox"/>	Level:	

ANNEX 7. Sida's guidance for assessing the most likely types of corrupt acts in an intervention

Sida's TRAC contribution management system includes help text for many of the questions that must be answered in the project appraisal process. Here is the help text that has been provided to assist project managers to do a more in-depth analysis of corruption risk.

Question: What types of corrupt acts are most likely and in what processes are these acts most likely to occur in the intervention?

Help: Identify what types of corrupt acts that are most likely to take place and based on your assessment; suggest risk mitigation measures in the risk register.

Based on your appraisal of external risks, identified weaknesses in regard to management, procurement, financial control and audit process, you will now attempt to identify what type of corrupt acts that are most likely and in what processes these are likely to occur in the intervention. Keep in mind that corruption is a broader concept than just abuse of funds.

Consequently the corruption act that might occur could include giving and receiving bribes, extortion, favouritism and nepotism as well as embezzlement, fraud, conflict of interest and illegal monetary contributions to political parties. Identifying what type of corruption that is likely to occur and in what processes is important, because it is only by doing this that you can suggest concrete risk mitigation measures to prevent corruption from occurring.

If you have decided to commission a review of internal control or an efficiency audit, areas especially vulnerable to corruption, like the ones mentioned in the examples below, shall be included in the terms of reference. See the templates for such terms of reference on the audit support page. To verify whether the cooperation partner has implemented the recommended measures it is sometimes even necessary to commission a follow up on the review/audit. Following up of if the cooperation partner has implemented the measures can also be included in the annual audit as an extra assignment to the auditor. Always consult with your controller in these matters.

Corruption risk analyses at national and sectorial level might also be useful when assessing what corrupt acts that are most likely to occur and in what process.

Below, some examples of corruption risks and risk reducing measures are presented:

- Procurement is an area where corruption is common so if the amount of procurement that will take place is substantial, it is very important to ensure that the procurement guidelines that will be used by the cooperation partner are appraised and adhered to. One way to follow up adherence is to include a scrutiny of the procurement undertaken during the year as a part of the annual audit. If the planned procurement is substantial, a procurement audit might be a good idea.
- If buying assets such as cars, computers, medical supplies etc. have been a part of

the intervention, deciding what will happen to the ownership of these, should ideally be decided and stipulated in the agreement from the beginning. If it was not stipulated in the agreement, an amendment to the agreement is a good way to ensure that these assets remain with the intended beneficiaries after Sida has stopped funding the cooperation partner. Regarding Humanitarian aid in high risk settings please consult Transparency Internationals Handbook on Preventing Corruption in Humanitarian Operations for hands-on advice: here:

http://www.transparency.org/publications/publications/humanitarian_handbook_feb_2010

- Nepotism is common in many countries meaning e.g. that hiring of staff is not based on merits but on relations. The consequence might be that people with inadequate qualifications are hired resulting in inefficient organisations. A risk mitigation measure to reduce the risk of nepotism is to review the cooperation partner's rules and routines for hiring staff. If these are inadequate, a requirement to revise and improve these rules and routines can be a risk reducing measure and included as a condition in the agreement.
- Segregation of duties and approval of payments are all important control mechanisms to have in place to prevent corruption. Information about internal rules and regulations are found in documents such as the organisation's charter and its standing order/office manual or similar. If the cooperation partner's internal rules are inadequate, a revision of these could be a condition stipulated in the agreement.
- A functioning management structure such as a board with the right competence and with an awareness of its responsibility is also important in regard to preventing corruption both in the form of abuse of funds and abuse of power for personal gain. For example, if no member of the board has knowledge about financial matters, there is a risk that abuse of funds remains undetected. Also, if the board is not aware of its responsibility to exercise control of the executive director, the risk of the executive director abusing his or hers position for personal gain, increases. If you find that the board is not functioning properly, discuss with the organisation and ensure that there is plan to improve the functioning of the board.
- Budget analysis is also very important in regard to preventing corruption as the risk of abuse of funds increases if the budget is inflated and aggregated. Asking questions about the content of the various budget lines is therefore important and by asking you also send an important signal to the cooperation partner that Sida is a funder that pays attention to whether the costs are eligible, relevant and that it is important that value for money is achieved. For guidance on how to conduct a budget analysis, reference is made to the section "Budget" in Trac where you find help texts.
- When performing a budget analysis you might find that the budget includes costs where the risk of corruption and fraud is high. Such costs include per diems and other workshop costs. Manipulating with per diems or organizing workshops primarily for the sake of obtaining per diem is not unusual. Sida's stance should be that per diem rates should only be of a level that covers the actual costs. Furthermore, Sida should not accept per diems rates that are differentiated by staff seniority or salary level. Finding information about per diem levels and routines in regard to paying per diem are therefore important to assess. If you have found that routines in connection to paying per diems are inadequate, you could ask the organisation to develop improved routines for Sida to approve and followup adherence as a part of the annual audit.

Source: Sida, TRAC Guidance, 2016

ANNEX 8. DFID Business Case Template

Business Case

Summary Sheet

Title: [[any acronyms must be explained/spelled out. Please delete these square brackets and all others below on completion and before submission and publication]]		
Programme Summary: [[N.B this text will published direct to Devtracker. This is equivalent to the Project Purpose text in ARIES/AMP.]]		
Programme Value:		Country/ Region:
Programme Code:	Start Date:	End Date:
Overall programme risk rating:	Choose a risk rating	
Vault Number:		

Intervention Summary (2 pages max)

Narrative summary of why UK support needed, what the funds will be spent on, where, over what period of time, via whom and what they will deliver (1/2 page max)

Does the programme fit with DFID's strategic architecture: the UK Aid Strategy, Single Departmental Plan, International Development Act and the department's Business Plan? [[here and for all headings answer Qs in a few bullets: delete this and all other square bracket guidance before submitting and publishing]]

What percentage of DFID's Single Departmental Plan results target does this programme represent? Could the programme be adjusted in scope or scale to deliver SDP results?

Is the programme coherent with the wider international community and partner government response? Has the programme set out a sustainable exit strategy?

Has the programme considered working with HMG Departments and accessing cross-HMG funds?

[Country] [Title] Business Case [month, year]

How does the programme relate to other UK aid within the specific sector, including multilateral, bilateral and centrally managed programmes?

Is there sufficient flexibility to learn and adjust to changes in the context? What level of flexibility is there to shift this and future commitments?

Does the proposed level of risk to be taken fit with DFID's risk appetite for this portfolio? [[For severe or major risk programmes explain why you still want to proceed]]

Is there a clear communications strategy to reinforce our objectives? Will the programme be branded with the UK aid logo and recognise UK Government funding – and, if not, why not? [[Consider local comms angles and x-HMG liaison]]

Has the programme been quality assured? How confident are we that the skills, capability, resources and political will exist to deliver the programme?

Does the SRO and team have the capability and resources to deliver this programme?

[Country] [Title] Business Case [month, year]

A. Strategic Case

[[[In addition to making the case for DFID intervention, you must include the two following sub-headings somewhere in the Strategic Case]]

Gender Equality [[See Gender Equality Smart Guide for guidance. Would expect this to be at least a paragraph long]]

Terrorism and financing [[see Counter-Terrorism Smart Guide for guidance. You may only need brief text (e.g. setting out why the risks are low and accepted) or more detail either here, or in the covering submission (if sensitive) in which case you might want to say something like, Detail provided in other documents]]

B. Appraisal Case

[Country] [Title] Business Case [month, year]

5

C. Commercial Case

[Country] [Title] Business Case [month, year]

6

D. Financial Case

[Country] [Title] Business Case [month, year]

7

E. Management Case

[Country] [Title] Business Case [month, year]

8

Smart Guide

The Business Case:

- Sets out the case for a programme, adapted to suit the context
- Explain clearly and succinctly what the programme will do within what timeframe and is explicit about the risks and uncertainties and how they will be managed
- Records an understanding for DFID, our partners and intended beneficiaries about what we are planning to do and the results we expect to achieve
- Allows DFID to report to the UK public on what we are doing with taxpayers' funds
- It should be as proportionate as possible. Consider using sub headings and paragraph numbers.

The Business Case is structured around the Treasury 5-case model. Within this broad framework the design should be adapted to suit different contexts and investment types. The content is indicative, not prescriptive and teams are encouraged to use judgement in making a logical argument to make the case in a way that suits the individual investment.

Refer to the considerations below, and the 10 delivery & 10 approval questions in the Smart Rules.

Intervention Summary (2 Pages)

Start with a half page maximum narrative summary of what the programme will do, ensuring you cover the the points set out at the top of that section. Then use bullet points to answer the ten approval questions that follow. Do not delete the headings/questions in bold, but do delete any square brackets which provide steers about what to think about.

Strategic Case

This makes the case for DFID intervention by setting out the overarching context and the problem to be addressed. It should be clear what the programme will do (impact and outcome) and how with evidence. It should link to, but not repeat, the Business Plan with a clear illustration of how the programme contributes to DFID's global and portfolio priorities. Retain the two sub-headings and provide the information required under each of them (deleting the square brackets). It is up to you where in the Strategic Case the sub-headings go. But it might make most sense at the end.

Appraisal Case

The Appraisal Case explores how we will address the need in the Strategic Case in a way that optimises value for money. It appraises genuinely feasible options for achieving the objectives, including high level commercial choices, with a summary of the quality of evidence. The appraisal considers delivery mechanisms including capability and capacity, costs and benefits, risks and likelihood of success. It concludes with a summary VfM statement for the preferred option.

Commercial Case

This section provides more detail on implementation and how value for money will be achieved. It sets out the procurement approach and requirements, proposed funding instrument and how the choice of instrument will be used to ensure vfm. It considers the market place response to this intervention with an explanation of how supplier performance would be managed. It sets out the procurement policies, capabilities and systems of the third party entity to ensure we get vfm.

Financial Case

This section sets out issues of affordability and the sources of funding. It includes a high level budget which does not impair VfM in procurement exercises for individual contracts. It sets out how funds will be disbursed and how expenditure will be monitored, reported and accounted. It highlights the evidence underpinning a judgement that funds will be used for the intended purposes.

Management Case

This section focuses on governance and management arrangements and the ability to deliver. It sets out the management implications for the business unit/ level of effort with realistic timings for mobilisation and start up. It outlines the expected roles and responsibilities, including DFID's own resourcing strategies (SRO, programme team etc). It sets out how it will respond to changes in context and the key elements of the Delivery Plan, key milestones and decision points where we can course correct. It includes a clear illustration, ideally set out in a risk matrix, of the risks and risk appetite. It should include the envisaged approach to escalating risks and issues as well as exit and possible closure scenarios.

[Country] [Title] Business Case [month, year]

ANNEX 9. DFID Sample Due Diligence Questions

A number of **illustrative** questions are set out below to demonstrate the nature and breadth of issues that might be addressed. The list is not exhaustive and should be applied by taking account of the context and risk factors involved.

Click on the hyperlinks below to quickly navigate to the specific pillar you wish to review.

[Governance and Internal Control](#)

[Ability to Deliver](#)

[Financial Stability](#)

[Downstream Activity](#)

Please also consider the [Counter Terrorist Financing](#) sample questions held on the [Due Diligence TeamSite](#) when assessing a potential delivery partner.

Governance and Internal Control

Governance

Staff should assess how the organisation is structured and the way in which boards oversee the running of the organisation and behavior towards its employees, shareholders, customers and other stakeholders.

What is the legal basis for the organisation? How is it incorporated or registered?

What is the composite skills and experience of senior management?

What is the recruitment process and training new members of staff?

What evidence is there that the decisions made by senior management, including the challenge process, are transparent and conform to the organisations decision making process?

What form of independent assurance/scrutiny is undertaken on the organisation e.g. internal or external audit function? What transparent and competitive process was adopted when selection the external auditor, senior management or Audit Committee?

Fraud, Bribery, Corruption and Money Laundering

Staff should assess the organisation's commitment to tackling fraud, bribery and corruption. It should also address what policies are in place, is the content sufficient and how these messages are communicated to staff.

How is compliance with laws and regulations ensured e.g. Bribery Act, Terrorism Act, etc.?

How are fraud, bribery and corruption tackled and communicated at all levels within the organisation? What reporting lines or whistleblowing procedures are in place?

What training is provided to staff in relation to reporting fraud, bribery and corruption?

Internal Control

Staff should assess the controls in place to confirm the completeness, coverage of the organisation and clarity, etc. of the management information presented to the board.

What evidence is there to demonstrate that there is clear segregation of duties?

How is delegated responsibility agreed and monitored?

How are policies, procedures and projects aligned to the organisation's objectives?

What is the structure for setting, approving, updating and cascading policies to the business?

Risk Management

Staff should assess the organisation's risk appetite and how it identifies, escalates and discusses organisational and programme risks.

How has the board set its risk appetite?

How does the senior management ensure adequate and effective oversight of risks throughout the business?

How are risks identified, reported and managed throughout the programme and how frequently does this take place?

What controls are in place to identify risk appetite breaches?

How are new/changes in risks reported/managed and what is the challenge process?

Safeguards

Staff should assess how the organisation recognises and manages the risk of doing unintended harm to people and/or the environment when undertaking its objectives. Areas to consider include human rights, gender equality, political, economical, social, technological, legal, environmental vulnerability and climate change etc.

Please refer to Safeguard Smart Guide for further information concerning this topic.

What controls and procedures are in place to ensure safeguards are considered and handled within the organisation?

How is this communicated to staff and how is compliance adhered to?

What reporting mechanisms are in place to ensure these risks are identified?

How are these factors reviewed and reassessed if required?

Transparency

Staff should assess the organisation's commitment to transparency and how this is evidenced and managed.

What steps have the organisation taken to demonstrate they are transparent e.g. a clear transparency or disclosure policy?

If relevant, what is the criteria, under which information will not be disclosed and is this clearly and tightly defined, with an independent appeals process?

Does DFID currently have any transparency requirements in place for the organisation? This may include requiring the organisation to publish a [minimum set of data](#) on funds received from DFID to the [International Aid Transparency Initiative](#) (IATI) open data standard and to pass these requirements on to downstream partners.

- a) If so, are these currently being met? Does the organisation [publish information](#) about its development activities that goes *beyond* these minimum requirements?
- b) If not:
 - i. Does the organisation publish information about their development activities in an open data format, such as IATI, or have any plans to do so?
 - ii. Is the information that the organisation makes available provided in a detailed, disaggregated form, and updated at least quarterly? What proportion of the organisation's total development activities are covered by this information?
 - iii. Does the organisation enable all of their development information to be downloaded at once, for free and without any restrictions on its use, re-use or redistribution?

Ethics

Staff should assess the organisation's culture; how this is set by the board and senior management; how this is cascaded to staff and how this supports the achievements of its objectives.

How has management set and communicated the culture of the organisation?

How was this culture communicated and can this be traced to all levels of staff within the organisation?

What checks have been undertaken to ensure there are no issues linked to the organisation which might be particularly controversial or pose reputational risks for DFID and how might these be tempered e.g. open source?

Ability to Deliver

Past Performance

Staff should assess how the organisation had performed similar activities in the past and how well they have been delivered. It should also focus on how lessons learned from previous programmes are used to aid future decisions.

If previously worked with in the past, how was the relationship? How well did the organisation perform and what (if any) remedial action has been undertaken to address issues?

What evidence can you draw from published reports or any open source data on the organisation i.e. media etc.?

What evidence can the organisation provide to demonstrate they can successfully deliver this programme?

Staff Capacity and Capability

Staff should assess the organisation's capacity to undertake and successfully deliver the programme we are financing. The assessment should also focus on ensuring the organisation has the right mix of skills, experience and sufficient staffing levels to implement the programme.

What is the capacity and capability of the senior management team within the organisation and staff directly involved with managing the finances of the organisation?

What evidence is there to demonstrate the organisation can absorb the increased volume of activity associated with this grant and successfully deliver the implementation timetable i.e. resource plan?

What is the capacity and capability of the staff directly involved with the programme? What is the mixture of skills and experience?

How is delegated responsibility supervised?

How is effective leadership demonstrated?

If the organisation works with children (up to 18 years old) or vulnerable adults, what control, policies and procedures are in place to keep children and vulnerable adults safe?

Programme Management

Staff should assess how the organisation will manage the programme and how often progress and variance reports will be provided. Staff should also ensure there is regular dialogue with the organisation to discuss progress and risk management issues.

What is the capacity and capability of the organisation to deliver both the portfolio of projects (value and complexity) under its remit and the specific project under review?

What evidence is there that the organisation can successfully deliver this specific programme e.g. operational plan?

What risks have been identified for this programme and how will they be monitored and mitigated?

What systems are in place to ensure regular monitoring, reporting and evaluation of the programme?

Financial Stability

Financial Viability

Staff should assess the current financial strength of the organisation, its future plans, commitments and ascertain if this is a going concern.²⁵

What is the underlying financial strength of the organisation?

What do the most recent audited financial statements tell us? What are the levels of cash, debtors, creditors, other outstanding liabilities and trends in the last few years?

How is the organisation funded? Is there evidence that their income streams are sufficiently diverse and secure in the short to medium term? What is the percentage of DFID funds to the overall income and is there over-reliance on DFID funds or another single source?

What level of funds is already committed? What are the levels of financial reserves and how have these been managed in the last three years?

Financial Management

Staff should assess the current processes, systems and controls in place to effectively manage and account for our funds.

How much cash does the organisation have and what evidence is there that this is sufficient? How long does it take for funds to flow to beneficiaries and direct implementers?

How are budgets agreed, how frequently are variance reports completed and how are major variances dealt with i.e. to bring a project back on budget?

How regularly is financial information produced for management? How are financial transactions captured and recorded consistently across the organisation e.g. financial software?

How will DFID funds be identified, monitored and reported e.g. separately?

Strength of Audits

Staff should assess any additional assurance sources which DFID can draw from. Audit reports provide an independent, objective opinion on the organisation and also details management's response to its findings. These responses will give staff a better understanding of management's commitment to improve and strengthen the organisation's control environment.

What concerns have been raised within recent external audit reports and have any been 'qualified'? What do management letters say and what evidence is there that remedial action is taking place where necessary?

What internal/ independent scrutiny exists within the organisation i.e. an Internal Audit Department? Are resources sufficient to deliver the annual plan? What internal audit reports are available and how are findings agreed and acted upon?

How regular is reporting to an audit committee and the governing body?

Value for Money

Staff should assess how the organisation demonstrates achieving value for money in all aspects of its operations and how this is communicated to staff.

What evidence is there that the organisation is pursuing Value for Money?

What financial information is publically available? Is this consistent with our transparency commitments?

What are the processes for monitoring and measuring performance and impact? Are there monitoring and evaluation policies, procedures and guidelines? Does the organisation undertake any impact measurement?

What evaluation, if any, is applied in the life of the project?

Policies, Procedures and Systems

Staff should assess what policies, procedures and systems are in place to manage DFID funds. The assessment should also focus on how these policies are disseminated to staff; how amendments are communicated and how regularly are they updated.

What evidence exists to ensure the organisation's controls and financial systems are robust and proportionate to the size of the organisation and budget?

How are transactions managed? How frequent are bank reconciliations undertaken and how are variances investigated?

What is the level and extent of delegated authority across the organisation and is it appropriate for the size of the organisation? How are funds authorised at different levels? What expenditure controls are in place and how regularly are these updated to reflect changes in personnel and/or roles and responsibilities? What evidence exists that there is clear segregation of duties between procurement, authorisation of supplier invoices and the authorisation of payment?

How are assets properly safeguarded e.g. an asset policy? How are assets recorded e.g. an assets register and how is it reconciled? How are assets disposed of and is there a disposals policy and is there evidence to show this is followed? If assets have been disposed of before the end of its economic life then what was the reason for this and what was the authorisation process?

What is the relationship between programme and administrative expenditure? How has this changed in the last three years?

What IT systems (Financial, Operational and HR) are used? Are the systems 'local' or are they part of a larger network?

What policies and procedures are in place to ensure a consistent application of systems across the organisation?

What management reports are published? What exception reports are produced and how are these acted upon?

How is the organisation's procurement undertaken and is there a policy which is clear, up-to-date and communicated to all staff to ensure compliance?

What procurement systems and processes are in place? What evidence is there that sufficient capacity exists (staffing, financial resources etc.) and the ability to upscale if necessary?

What procedures are in place to ensure procurement is operated with transparency and probity, and means of investigating malpractice?

Downstream Activity

Due Diligence

Staff should assess what scrutiny/due diligence the partner undertakes on any downstream partners they utilise prior to disbursing funds and entering into a formal agreement.

How does the organisation engage, assess and manage implementing partners i.e. what is their due diligence process and is it formally documented?

How are downstream partners weaknesses addressed and monitored by the organisation?

How does the organisation proactively develop the capacity of its downstream delivery agents?

Delivery Chain Risk Management

Staff should assess what (if any) downstream partners will be used to deliver an intervention and if the organisation has the ability to trace DFID funds to the end beneficiary. This process will also allow staff to identify potential risks throughout the delivery chain.

How does the organisation map its delivery chain to understand the number and complexity of suppliers involved in the programme?

What evidence is there that the organisation can clearly trace the flow of funds to beneficiaries?

How are risks identified, recorded, discussed, mitigated and monitored (e.g. spot checks and visits) throughout the delivery chain?

What reporting mechanisms are in place to identify/escalate risks throughout the delivery chain?

Management Framework/Contracts

Staff should assess the strengths and types of frameworks/contract the organisation enters into with their downstream partners to ensure both parties are clear on their responsibilities.

How does the organisation monitor the financial and operational performance of its downstream partners?

What are the arrangements for ensuring external audit of downstream partners?

What funding agreements exist with partners and what sanctions exist for non-delivery?

Staff should assess the monitoring and management arrangements in place with downstream partners to ensure appropriate oversight, accountability and scrutiny of the programme.

What capability and authority does the organisation have to monitor and manage the activities of implementing partners, including methods of responding to poor performance? This may include withholding funding and taking remedial action to improve performance of partners and/or of funded activities.

What steps does the organisation take to pass transparency requirements on to their downstream partners? This may include requiring these partners to publish information about their own development activities to an open data format such as the International Aid Transparency Initiative standard.

How does the organisation ensure that the control environment in downstream partners takes into account the requirements of UK and global legislation where appropriate e.g. the UK Bribery Act, Gender Equality Act etc.?

How does the organisation demonstrate they have the capability and resources to provide capacity building support to downstream partners if required? If not, how are these needs met?

Fraud, Bribery, Corruption and Money Laundering

Staff should assess the controls and reporting mechanisms in place for delivery partners to report any suspicions of fraud, bribery, corruption, money laundering or diversion of funds throughout the delivery chain.

What policies and processes are in place for reporting suspected fraud, bribery, corruption or money laundering?

How is this policy communicated to downstream partners?

What evidence is there that the process is used and that funding partners are reporting concerns of fraud?

ANNEX 10. GIZ Suggestions for Corruption Risk Mitigation Measures

Excerpts from: GIZ Anti-Corruption and Integrity Programme, “Guidance for Integrating Anti-Corruption into the Planning and Implementation of Technical Cooperation Projects and Programmes,” 12 October 2016.

Note: The GIZ guidance emphasises that “[t]he success of a specific measure depends to a great extent on the country and the programme in question,” and notes that the suggested options for mitigation measures is only a selection of the possible approaches which can “serve as a guide to identify appropriate measures for the programme at hand.” (p. 24)

See following page.



Examples for internal administrative measures

Example of measures	Good Governance Principle	Yes/No
Training and coaching sessions on anti-corruption and integrity for employees	■ Integrity	yes <input type="checkbox"/> no <input type="checkbox"/>
Educational/Informative workshop on conflicts of interest for decision-makers in public service	■ Integrity	yes <input type="checkbox"/> no <input type="checkbox"/>
(Disclosed) Code of Conducts for partner's employees and suppliers	■ Integrity ■ (Transparency) ■ Accountability	yes <input type="checkbox"/> no <input type="checkbox"/>
Conflict of Interest Policy	■ Integrity ■ Accountability	yes <input type="checkbox"/> no <input type="checkbox"/>
Information centres on integrity issues and (anonymous) contact points for whistle blowers	■ Integrity	yes <input type="checkbox"/> no <input type="checkbox"/>
Inclusion of different stakeholders (more than one person) in important decision-making processes (dual control principle, decision-making bodies)	■ Transparency ■ Participation ■ Accountability	yes <input type="checkbox"/> no <input type="checkbox"/>
Rotation of employees in corruption-prone areas to ensure their independence	■ Integrity ■ Accountability	yes <input type="checkbox"/> no <input type="checkbox"/>
Assets declaration, secondary employment and shareholdings of public service decision makers	■ Transparency	yes <input type="checkbox"/> no <input type="checkbox"/>
Disclosure of assets declaration, secondary employment and shareholdings of public service decision makers in a publicly accessible source (internet)	■ Transparency	yes <input type="checkbox"/> no <input type="checkbox"/>
Public tender for procurement of goods and services including a list of criteria for suppliers ("Black List" for suppliers)	■ Transparency	yes <input type="checkbox"/> no <input type="checkbox"/>
Potential bidders are given the opportunity to comment on Terms of Reference and contribute to product neutral description before starting the public tender	■ Participation	yes <input type="checkbox"/> no <input type="checkbox"/>
Use of pricing models in price negotiations in the procurement process	■ Transparency	yes <input type="checkbox"/> no <input type="checkbox"/>
Use and disclosure of fees catalogs of public service provisions	■ Transparency	yes <input type="checkbox"/> no <input type="checkbox"/>
Publication of state expenditure by sector (number of teachers in a school, etc.)	■ Transparency	yes <input type="checkbox"/> no <input type="checkbox"/>
Disclosure of public revenues from issuing of licenses and concessions	■ Transparency	yes <input type="checkbox"/> no <input type="checkbox"/>