



# Preventing Corruption in Development Cooperation

Checklist for Self-  
Evaluation

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The idea of this checklist is based on the "Checklist for Self-Audits to Prevent Corporate Corruption" by Transparency International Germany, reg. Assoc., (ISBN: 978-3-9812154-6-5)

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# Introduction

Corruption is the abuse of entrusted power for private gain. Various forms of corruption are covered by this definition: the payment of bribes, misappropriation of funds but also more subtle approaches such as nepotism.

Corrupt practices have severe consequences for the work of non-governmental organisations (NGOs) in development cooperation: there is leakage of funding and those in need hardly see anything from the funds donated specifically for their benefit. Apart from anything else, corruption is illegal and can have legal consequences for an NGO. Furthermore, the organisation's reputation can be tarnished.

Corruption should not and cannot simply be accepted as an inevitable fact. Suitable prophylactic measures can lead to its effective prevention. The current checklist from Transparency International Switzerland (TI Switzerland) and Bread for all (BFA) helps NGOs to recognize the risks of corruption within their structures. It provides advice as to where an organisation should start to prevent corruption. This checklist has been based on a similar tool developed by TI Germany for companies. The format and content have been basically revised and adapted to the needs of non-governmental organisations.

The present document is an appendix to the Guidelines for NGOs<sup>1</sup>, which has been created by TI Switzerland and BFA. Both documents provide NGOs with guidelines for the planning, development and implementation of an anti-corruption programme. Accepting responsibility and challenging corruption in development cooperation is ultimately the decision of each organisation.

*1 Corruption in development cooperation, a practical guide for non-governmental organisations*, Transparency International Switzerland and Bread for all. Also available in French and German.

# Purpose of the Checklist

The aim of the checklist is to identify areas that are particularly at risk and to detect points of weakness in the Internal Control System. It is meant principally as an instrument to locate risk zones that are prone to corruption in an organisation and is the first step for an organisation to develop its own anti-corruption programme.

# Content, Structure and Limits of the Checklist

The checklist contains a selection of areas that are susceptible to corruption. The list of the subject areas is therefore not complete. Due to various factors such as size, working focus and funding, each organisation must decide which areas are particularly relevant with regard to preventing corruption and whether it needs to evaluate further areas, as the case may be.

The checklist should be a basis for the development of a tailor-made anti-corruption programme. An individually designed programme has the advantage that it is adapted to the needs of the organisation. It creates a transparent, legally binding working environment that facilitates the detection of irregularities and encourages the lasting success of the organisation's work. In addition, an anti-corruption programme offers those working for the organisation guidelines for behaviour in tricky situations. However, even a carefully designed and tailor-made anti-corruption programme cannot guarantee that corruption does not occur in isolated cases. Such a programme is designed rather to reduce the risk of corruption to a minimum and contribute to detecting cases of corruption in time so that the resulting damage is minimized.

# Format

The checklist covers six subject areas: Leadership and Management, Personnel and Human Resources, Finance and Accounting, Projects, Relationships with Suppliers and other Business Partners and Co-operation with Partner Organisations. There are various measures against corruption listed for each area. As mentioned above, the aspects mentioned here should be adapted to the NGO and extended.

The answers should show whether each statement fully applies to the organisation, if it partially applies or does not apply to the organisation. For each question, it is recommended to write down the justification for further review. The answers reflect the current knowledge of staff members. It is important that honest evaluations over the current working situation in the NGO are provided.

# Checklist



# Leadership and Management

- 1) Your organisation has written Operating Procedures and Anti-Corruption Policy (Code of Conduct) that address corruption risks. All staff members, volunteers and partners are fully aware of the procedures and policy in place.
- 2) Your policy prohibits the offering, giving or accepting bribes in any form (e.g. in the form of cash, products, or sexual favors). Direct or indirect facilitation payments in the form of cash payments or other services to state employees (e.g. employees issuing authorisations) or to employees of companies are forbidden. The conditions, according to which exceptions are possible, are defined in a clear way.
- 3) Your organisation has an Internal Control System<sup>2</sup> (ICS) that ensures the efficient and effective operation of the organisation's activities. The ICS prevents the missappropriation<sup>3</sup> of assets or funds.

<sup>2</sup> **Internal control systems** are control procedures put in place by the management of an organisation to ensure efficient and effective operation of her activities, so as to meet the organisation's objectives.

<sup>3</sup> **Misappropriation of assets or funds** implies their diversion to a purpose other than originally planned and may imply fraud by a third party or a member/employee of an organisation (insider fraud). It may be limited to isolated cases of expense fiddling or an employee lying about his or her qualifications to get a job, but can extend to theft of funds or assets.

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- 4) Neutral bodies (e.g. external auditors, internal auditors, other organisations within a "peer review"<sup>4</sup>) check your organisation regularly.
- 5) Your organisation has an official who is responsible for measures to prevent corruption (e.g. person in charge of anti-corruption, internal auditor).
- 6) Your organisation has a complaint mechanism (e.g. website, whistle-blower hotline, anti-corruption office, reporting point) where staff, community members and others (e.g. partner organisation, other stakeholders, etc.) can report anonymously any suspicion of corruption or violations of procedures, in a secure way and without fear of retaliation.
- 7) Your organisation analyses any reported cases and on the basis of these evaluations, you create and implement new measures to minimize future risks.
- 8) All cases of corruption are submitted to the appropriate board (e.g. Ethics Committee) for examination. The criminally relevant cases are forwarded where possible to the law enforcement bodies responsible.

<sup>4</sup> **Peer review** is the evaluation of work by one or more people of similar competence to the producers of the work (peers). It constitutes a form of self-regulation by qualified members of a profession within the relevant field. Peer review methods are employed to maintain standards of quality, improve performance, and provide credibility.

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- 9) Your organisation ensures that important decisions (e.g. selection of project beneficiaries, selection of a site for a project, etc.) are taken by the appropriate board, on the basis of clear, written, impartial and fair criteria. All decisions are duly recorded in the board minutes. Decision based on preferences regarding ethnicity, family, etc. are explicitly banned.
- 10) The allocation of funds to partners, projects and staff members is done according to clear and written rules (e.g. approved project proposals, employment contracts, board minutes) and is subjected to board approval.

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# Personnel and Human Resources

- 1) Each staff member and employee within the organisation has signed the Code of Conduct (part of the Anti-Corruption Policy) and is aware of the consequences you have defined in case of breach of these principles.
- 2) Each staff member and employee can call upon the principles outlined in the Code of Conduct and report suspected cases without negative repercussions for him/herself, even if it leads to a conflict with his/her superiors.
- 3) Your organisation regularly organises training for professional staff and volunteers about the principles, procedures and Code of Conduct.
- 4) All conflicts of interest are declared and minuted with the decisions taken. Any secondary activities of paid staff are subject to management authorisation. Authorizations are periodically reviewed.
- 5) Staff must never participate in a decision, where their personal or private interest conflicts with those of the organisation.
- 6) Your organisation has clear rules regarding the granting or acceptance of presents, gifts, invitation for meals, or other types of invitation for all staff members and employees.

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- 7) Your organisation uses clear and transparent criteria and process for the recruitment and promotion of management staff, employees and volunteers.
- 8) When appointing new staff, you subject key staff (managers, heads of department, employee in key positions) to an integrity check (collection of references, criminal record check, etc.).

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# Finance and Accounting

- 1) All payments for presents, hospitality, purchases in cash, special benefits, as well as consultants' and audit services fees, are verified in detail by internal and external auditors.
- 2) The work of all staff members and employees actively involved in payments and money transactions is checked regularly by internal and external auditors in line with current accounting principles.
- 3) All the units of the organisation use the same accounting forms (vouchers, receipts) and are integrated into the main accounts of the organisation.
- 4) The principle of dual control (or alternative controls) is applied for all important decisions (e.g. signing of partners contracts, handling of payments, staff recruitment).
- 5) All personnel and travel expense claims made by professional or volunteer staff members are monitored on a regular basis not only by their superiors, but also by third parties (e.g. the finance department, internal audit) and verifications are also in place not just formally but also the nature of expenses in supporting documents.

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# Projects

- 1) As part of the contextual analysis, forms of corruption and its frequency of corruption in a country or region of operation are analysed in all projects.
- 2) The project beneficiaries are adequately informed about the progress of the reports and the extent of assistance benefits.
- 3) Regarding time constraints for the spending of funds, project staff receives enough scope thus preventing them from having to spend money under pressure, ignoring irregularities or risks (the NGO is not compelled to spend all its remaining funds before a deadline).

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# Relationships with Suppliers and Business Partners

- 1) Contracts are awarded on the basis of clear, unambiguous and transparent criteria.
- 2) Reimbursements of part of a contractual payment are prohibited ("kick-backs") along with the use of illegal means or channels for services to suppliers and other commercial partners and their employees.
- 3) In awarding contracts, competition between suppliers is ensured. For contracts above a certain amount, at least three quotes are requested simultaneously on the basis of clear criteria.
- 4) Before buying property or goods, or awarding a contract, research is carried out to ascertain normal market prices and wages (e.g. from other organisations).
- 5) All contracts in particular contracts renewals are reviewed regularly by the relevant board concerning the necessity, effectiveness and value for money.

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- 6) Contracts with suppliers and other commercial partners contain an anti-corruption clause with corresponding penalties (e.g. termination of collaboration).
- 7) Prior to signing a contract with a supplier, a contractor or a consultant, an analysis of technical competence and the integrity of the contractor is carried out ("due diligence"<sup>5</sup>) . Services to be supplied must be in a contract, which is written in a clear, concise and unambiguous manner, and an appropriate payment is negotiated with regard to the services provided (value for money).

5 **Due diligence** is a term used for a number of concepts involving either an investigation of a business or person prior to signing a contract, or an act with a certain standard of care.

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# Co-operation with Partner Organisations

- 1) Prior to signing a contract with a partner organisation, an analysis of technical competence and the integrity of the future partner is carried out ("due diligence"). All services to be provided are stipulated in a clear, concise and unambiguous written contract, with appropriate prices and wages.
- 2) Contracts with partner organisations include an anti-corruption clause with corresponding penalties (e.g. immediate termination of the contract).
- 3) All partner organisations present an annual financial statement; above a certain amount, the financial statement is professionally audited.
- 4) All partner organisations have an Internal Control System (ICS).
- 5) The principle of dual control is applied for all important by your partner organisations (e.g. awarding of contracts, payment procedures and staff recruitment).
- 6) You make sure that your partner organisations prohibit the offering, giving, receiving or asking of bribes in any form (e.g. in the form of cash, products, or sexual favors).
- 7) You have a full overview of the other financing sources of your partner organisations and know how these are used (in which project these are allocated, to cover which expenses) in order to prevent possible double funding of your projects.

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- 8) You ensure that your partners have defined clear and consistent rules for all their staff regarding the granting and acceptance of gifts, meals and other invitations.
- 9) You and your partners ensure that any major decision (e.g. recruitment, project selection beneficiaries) are based on clear and transparent criteria. Decisions based on preferences (ethnics, family, membership, etc.) are explicitly prohibited by both you and your partners.
- 10) All partner organisations prohibit the reimbursement of part of a contractual payment ("kick-backs") along with the use of any illegal means or channels for services to suppliers and other commercial partners and their employees.
- 11) Partners regularly train their staff regarding anti-corruption guidelines and measures. Specific training on internal and external guidelines, as well as regulations is carried out.

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# Evaluation / Self-Evaluation

If the evaluation of one particular section shows that one third (or more than one third) of the individual statements in a section partially apply or do not apply to the organisation, then there is an increased risk of corruption in that particular area. In this situation we recommend to seek external support in order to implement appropriate anti-corruption measures.

If the evaluation shows that less than one third of the individual statements in a section partially apply or do not apply to the organisation, particular attention should be given to these areas and discussed within your organisation on how improvements to fight and prevent corruption in the affected area can be achieved. At this point, it might be helpful to seek external support as well, depending on the situation.

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Corrupt practices have severe consequences for the work of non-governmental organisations (NGOs) in development cooperation: funds can be leaked, project costs can increase and those in need may see very little of the funds donated specifically for their benefit. Corruption should not, and cannot, simply be accepted as an inevitable fact. Suitable measures can lead to its effective prevention.

This 'Checklist for Self-Evaluation' will help NGOs to recognize the risks of corruption within their structures and to implement necessary measures to prevent it. The aim of the checklist is to identify areas that are particularly prone to corruption. It can be used as a first step by organisations wishing to develop their own anti-corruption programme.