

MISEREOR's guidelines on transparency and on dealing with cases of embezzlement or corruption

Section 1 Introduction

In the development cooperation measures for which it is responsible, MISEREOR – the German Catholic Bishops' Organisation for Development Cooperation – also assumes responsibility for the appropriate implementation of the projects supported. With regard to the donations and tax monies with which it is entrusted, MISEREOR is therefore committed to accountability, transparency and participation, and to fighting all forms of embezzlement, diversion of funds for other than the intended purposes and corruption.

Corruption occurs in all cultures and societies, and is manifested in various ways. Church-based organisations too have their weaknesses, and are susceptible to fraud and corruption. Particularly in a Christian community, it is important not to shy away from exposing irregularities when the need arises. In this connection Christian agencies and their partners have an important role to play in setting a good example. Fighting corruption is therefore also part of the mission of the Church and her members. In extreme cases this requires the courage to put close relationships to the test.

Against this background, and acting to the best of its knowledge and in good faith, MISEREOR promotes **transparency, mutual accountability and fiduciary integrity**. Corruption violates human dignity and impedes social development. It stifles the rights of the underprivileged, constrains sustainable economic development, undermines faith, damages trust, strengthens potential for violence and can even destroy lives. Corruption is not just a mere peripheral phenomenon. In a world entangled in debt, maximising short-term profit is seen as a means of achieving economic success and social prestige, and the end then seems to quickly justify the means. The Church must take steps to ensure that corrupt behaviour is exposed and put right everywhere, including within its own ranks. This ethical obligation results from our social aims, and applies not only toward our donors and supporters, but also toward the recipients of our support. It is therefore imperative that we have clear guidelines for individual and collective action by Churches, development agencies and partner organisations.

MISEREOR actively fights all forms of corruption, embezzlement and the diversion of funds for other than the intended purposes. In various ways we also support our local partner organisations in fighting corruption in their own countries at the political level, and in promoting transparency. We understand the term **corruption** to mean the **misuse of entrusted power and entrusted funds for private gain**¹. According to this understanding, a wide range of behaviours can be described as corrupt. Anyone trying to encourage others to act in their own interests and against the interests of the community by giving them money, gifts or preferential treatment, or by exerting pressure, is corrupt. Corruption is not just a moral failure of the individual; it also acts as an economic constraint. Every Euro that is misappropriated through corrupt acts is then no longer available for realising project objectives and discharging the proper mandate. Acts of corruption are therefore always committed at the expense of the poor and the weak, regardless of whether these acts stem from poverty itself, or the pursuit of personal power or profit.

Yet in development cooperation too, the risk of corruption is a problem that must be taken seriously. It can be manifested in manifold ways. Here are some examples:

- misappropriation of funds or physical resources;

¹ Transparency International, 'Corruption in Development Cooperation – a problem that equally affects Church Organisations' (2007).

- retention of project funds in order to generate profits from interest or speculation (misappropriation);
- exchange of funds on the black market in order to generate exchange rate profits (misappropriation);
- the award of contracts or jobs to individuals who have close links to the person awarding them, but do not possess any appropriate qualifications (nepotism);
- payment of salaries for fictitious persons, or travel expenses for fictitious business trips;
- charging of inflated prices when awarding contracts or procuring materials – the amount retained based on the difference between these prices and the actual prices is then split between the client and the contractor (kickbacks);
- multiple billing of items through different budgets;
- forgery of vouchers (charging of expenses without an equivalent value);
- manipulation and/or evasion of approval procedures and criteria;
- school marks, participation in courses or the award of scholarships are made dependent on the payment of bribes, gifts or sexual (i.e. physical) favours;
- payment of bribes for the provision of public services that are usually free of charge (preferential customs clearance, the award of visas or processing of applications);
- payment of bribes and/or issue of threats to accessories: This is designed to ensure that third parties who are aware of corrupt practices remain silent and cover up the behaviour.

A survey conducted by MISEREOR showed that corruption is manifested most frequently in the form of either the misappropriation of funds, or nepotism. We do not lose sight of the fact that, in intercultural settings in particular, there is always a ‘grey zone’ in which there is no entirely unequivocal answer to the question of whether a given action or practice in a specific sociocultural context does or does not constitute corruption. However, an analysis of the causes shows that poor monitoring systems on the part of our project partners, and deficits in communication between project partners and MISEREOR, are always prominent features.

By issuing the present Guidelines MISEREOR is making it mandatory for all staff members and responsible officers to become actively involved in preventing and fighting corruption. As a member of VENRO – the umbrella organisation of development non-governmental organisations in Germany – MISEREOR also complies with the VENRO Code of Conduct on ‘Transparency, Organisational Governance and Monitoring’².

We also base our approach on the strategy paper ‘Anti-Corruption and Integrity in German Development Policy’ published by the German Federal Ministry for Economic Cooperation and Development (BMZ)³.

The present document provides all staff members with guidance on how to deal with cases of corruption, suspected corruption and embezzlement. This will guarantee transparency, and ensure that staff is able to act with confidence. The issue of corruption covers an extensive grey zone in which facts are open to interpretation, and legal provisions are not always unequivocal. We are convinced that mutual trust remains the key element in successful cooperation with our partners. No less essential to this cooperation, however, is maximum transparency regarding the appropriate and efficient use of project funds in accordance with their designated purpose. The present Guidelines will help sensitise everyone involved with regard to this topic. MISEREOR sees this awareness raising as a core element of its work, and will continue to pursue it.

² <http://venro.org/venro/venro-kodizes/> (only available in German)

³ BMZ 2012

Section 2

MISEREOR's procedures for preventing corruption and minimising risk

In conjunction with the German Catholic Central Agency for Development Aid (KZE), MISEREOR has its own internal procedures and monitoring mechanisms for minimising the risk of corruption. Where such cases do arise, these procedures and mechanisms ensure that they are swiftly brought to light and dealt with.

The most important of these procedures and instruments for minimising the risk of corruption are described in further detail below.

1. MISEREOR's principles for transparency and for monitoring the use of funds

1. See annex

2. Project management and administration

2.1 Risk assessment and appraisal of the partner organisation

Before any project is approved, a standardised assessment shall be performed of the existing and possible future risks of cooperating in the project. For this purpose detailed guidelines for the submission of funding requests shall be applied. For legal holders of projects, MISEREOR keeps a database which contains structured information on the legal status of these institutions, as well as their organisational structure, professional experience and sustainability for new or follow-up projects.

2.2 Project approval

Projects shall be approved through the internal procedure laid down by the official bodies responsible. The basic decision as to whether a project is eligible for support shall be prepared within the respective Regional Working Group (RAG) of the responsible continental department. After having been processed by the Regional/Sectoral Cooperation Team (InPro), in a stepwise procedure the in-house submission document for grant approval will be reviewed and initialled in the respective continental department by the Financial Cooperation Team (FiZu) and the Head of Department, and finally by a member of the Board of Directors. Depending on the amount to be approved and the donor, projects shall then be approved by the respective responsible bodies.

2.3 Project processing

1. Project contract

A project contract shall be entered into with the legal holder of the project, signed for MISEREOR by a member of the Board of Directors. The project contract shall always include general agreements for KZE or MISEREOR projects and where relevant also the necessary special agreements.

2. Project accounts

- Proper and transparent accounting is key to preventing corruption. Disbursements shall be made only for a period of up to six months (three months for projects financed through federal funds), depending on the funding requirement and project progress. The Financial Cooperation Team shall promptly check the corresponding financial reports submitted by legal holders of projects.
- Within MISEREOR, the monitoring and final clearance of financial transactions shall be performed by a procedurally independent body, which is not involved in either

dialogue with partners, the processing of funding requests or project support and monitoring. This shall be the Internal Controlling Section in the Department Katholische Zentralstelle.

3. External auditing

- Projects financed from public funds and MISEREOR projects worth more than EUR 100,000 (current threshold) must be audited externally by certified and independent local auditors. The legal holder of the project must stipulate the details of the audit in a contract with the auditor.
- As a rule the legal holder of the project will select the auditor from the list of certified auditors accepted and recommended by MISEREOR/KZE for the country/region in question.
- Furthermore, the use of funds by the legal holder of the project and partners may be monitored at any time by an individual so authorised by MISEREOR.

2.4 Project monitoring

1. Dialogue with partners and auditors shall be ensured through regular field visits.
2. In accordance with MISEREOR's binding reporting guidelines, the legal holder of the project shall regularly prepare and submit project progress reports, which will be evaluated by InPro.
3. For each individual measure that has been supported with federal funds the achievement of objectives shall be monitored *at least* once. (This will involve comparing the planned objectives with actual achievements, in order to measure intended positive effects and the degree to which objectives have been achieved – see the 'Guidelines on objectives- and results-based monitoring in the promotion of projects important for development by the Churches', BMZ). The final assessment and evaluation of the project will take place in several stages, involving first of all the department responsible for the region, and finally a body outside of the procedure that was not involved in either dialogue with partners, the processing of the funding request or project monitoring (Department Katholische Zentralstelle), which will also prepare the final reports on the use of funds for BMZ.
4. MISEREOR's evaluation system for international cooperation is regulated in a separate paper.

2.5 In-house procedures and monitoring mechanisms

1. Auditing and reporting

Every year an auditing firm commissioned by the General Assembly of Members audits MISEREOR's annual financial statement. Furthermore, KZE's project management and administration is audited at six-monthly intervals by BMZ auditors, and at irregular intervals by the Federal Court of Audit. Projects financed from EU funds are audited at irregular intervals by auditors commissioned by the European Commission. At irregular intervals, the Association of German Dioceses examines the management and administration of projects financed through Church tax funds.

During the course of the year, procedures and processes in various areas at Head Office undergo internal auditing performed by an auditing firm commissioned to do this job. For this purpose the Board of Directors will draw up an annual audit plan. The Board of Directors receives the audit reports, and together with the heads of departments takes steps to ensure that the recommendations are implemented.

2. Rules of procedure

For MISEREOR's Head Office the responsible bodies have issued rules of procedure that describe the basic procedures and responsibilities. These are concretised through two working manuals containing general rules and information for all MISEREOR staff members respectively information pertaining chiefly to the International Cooperation Division.

3. Employment contracts

Decisions on hiring staff shall be taken on the basis of vacancies advertised either in-house or externally, respecting the rights of participation of the Staff Representation. Contracts of employment shall be drawn up in writing. They are currently based on Germany's public-service remuneration agreement (TVöD).

4. Work directives, procurement

Workflows for operations with financial and legal implications are governed by the business and work directives laid down in the working manuals. These include rules for the external tendering and procurement of services and goods.

Section 3

Procedures to be followed in cases of suspected corruption and corruption

All staff members have the right to refuse to be drawn into actions which they suspect to be corrupt. At the same time they are both entitled and obliged to report to their superior any act of corruption to which they are a witness or in which they are an aggrieved party. The right of refusal of information pursuant to Section 55 of the German Code of Criminal Procedure (StPo) shall remain unaffected⁴. Individuals concerned may also contact the ombudsperson (see Section 4.3).

1. How to deal with suspected cases of corruption

Anonymous tip-offs, rumours from outside and hints are warning signals that will not be ignored. Particularly in order to protect those accused, they must be carefully noted and analysed specifically in order to rule out abuse. When anonymous tip-offs are received an attempt should be made to verify the existing information by appropriate means.

Suspicious may be raised through various channels, such as

- observations and conversations held during business trips;
- narrative, financial or auditors' reports;
- whistle-blowers; to protect the whistle-blowers it may be necessary to use the information received only with their consent. We must make sure that individuals exposing inappropriate conduct will not be subjected to repression.

If irregularities are found to have taken place or if an initial suspicion is warranted, a thorough investigation must be launched that is independent of the source of funding

⁴ Section 55 of the German Code of Criminal Procedure (StPo) Refusal of Information

(1) Any witness may refuse to answer any questions the reply to which would subject him, or one of the relatives specified in Section 52 subsection (1), to the risk of being prosecuted for a criminal offence or a regulatory offence.

(2) The witness shall be instructed as to his right to refuse to answer.

(donations, Church tax funds, BMZ funds etc.). A first assessment and evaluation of the suspicion will be performed by the staff of the continental department (InPro and FiZu). If the suspicion is strengthened or confirmed, the Head of Department and the responsible Managing Director must be informed immediately. If projects that have already been approved are affected, the Disbursement Monitoring Team must be consulted as a procedurally independent body. The Department Katholische Zentralstelle has set up a dedicated auditing team for this purpose. In cooperation with this team, a decision will be taken as to whether any, and if so what, further information needs to be obtained, and whether it is necessary to suspend further disbursements for the time being.

Further information to help clear up the matter can be obtained from the following sources, and by taking the following steps:

- obtain response from the legal holder of the project
- assign short-term consultants or members of the Financial Cooperation Team to the project
- other partner organisations
- special audit / peer review
- involve other donor organisations.

2. How to deal with cases of corruption

If the suspicion is substantiated, and the legal holder of the project is unable to settle the matter by himself, then in consultation with the continental department and the auditing team of the Department Katholische Zentralstelle (which will act as lead unit) a decision shall be taken with regard to further procedure. Possible measures include:

- a supplementary consultancy assignment to resolve the conflict;
- launch of a forensic audit, to be conducted by external auditors. As well as investigating the matter in hand, securing evidence and establishing the extent of losses incurred, especially in cases of embezzlement, these audits can also encompass all forms of economic crime.

Until the matter has been fully investigated, no disbursements will be made to the legal holder of the project, and other responsible or affected departments at MISEREOR will be notified. All cases of suspected corruption will be documented in the Department Katholische Zentralstelle, and presented to the Board of Directors at regular intervals. The Board will discuss these cases and if necessary decide on further measures.

3. Sanctions

If criminal offences (e.g. embezzlement, fraud, or the payment or acceptance of bribes) are shown to have taken place, all necessary legal measures will be taken to bring those responsible to account. This will first of all involve calling in the Misereor in-house legal affairs officer and possibly a local legal advisor. Possible interventions include:

- asserting and enforcing repayment claims;
- discontinuing cooperation;
- sharing information with other donor organisations.

4. Prevention

Given the serious consequences of corruption, preventing it must be a key aim of MISEREOR's work. We will raise the awareness of our workforce, so that staff members are

able to identify corruption risks early on and to take appropriate action. Staff will receive corresponding training (e.g. on risk assessment, appraising the partner organisation and integrity management).

Another important aspect of corruption prevention involves strengthening our partner organisations. MISEREOR will involve organised target groups and local actors, thus making a social auditing by them possible. Through this local approach it will then be possible to establish whether the funds have been used for their designated purpose, and efficiently. MISEREOR will therefore promote local workshops on establishing internal monitoring systems, training measures on financial management, transparency, and planning, monitoring and evaluation (PME), and will invest in local financial advisory services and training. The training measures will also involve local auditing firms. MISEREOR encourages local target groups to approach the higher local body responsible, as well as MISEREOR's responsible project officer when they suspect or know of cases of corruption or embezzlement.

Section 4

In-house rules for staff members

1. In-house prevention

Awareness-raising and training

All staff members of MISEREOR will receive training on the present Guidelines. Training will be provided as part of the induction programme for new staff. Furthermore, events will be held continuously to cover problems for which no detailed provision can be made (e.g. hospitality etc.).

Stipulations agreed under the contract of employment

The staff members of MISEREOR are obliged to observe and comply with the law, the rules and regulations contained in MISEREOR's handbook and work manuals, and the Code of Conduct specified below (Section 4, Point 2).

Staff members shall declare in the prescribed form that they have noted the Guidelines on Promoting Integrity and Preventing Corruption, and made a binding commitment to observe the Code of Conduct specified therein. In particular they shall pledge neither to offer third parties benefits of any kind directly or indirectly, nor to accept gifts for themselves or others directly or indirectly, nor to obtain for themselves or accept (promises of) any other benefits that are considered or might be construed as illegal practices or corruption.⁵

2. Code of Conduct

Personal interests must not affect professional decision-making. Preventing conflicts of interest is the most important principle in the fight against corruption. Conflicts of interest may arise time and time again. They do not necessarily indicate corrupt behaviour. Nonetheless, it is crucial to recognise and deal with them appropriately. If this does not occur then MISEREOR's integrity is jeopardised. This is why we need to declare and disclose interests and conflicts of interest. The members of MISEREOR's supervisory bodies also disclose possible conflicts of interest. They will not be involved in decisions in which their personal or their own institutional interests might collide with those of MISEREOR.

1. Staff members of MISEREOR shall not pay bribes when on business trips, even if the aim of doing so would be to secure or expedite the performance by an official of an action to

⁵ See the Swiss Agency for Development and Cooperation (SDS) 1998; Bread for All/TI 2009, 27.

which they would be entitled. Should such payments be unavoidable, e.g. for reasons of personal safety, or should staff members be coerced into making them (e.g. when crossing borders), the staff members making the payments must inform their superiors thereof immediately, but at the latest after their return.

2. Staff members of MISEREOR shall not accept gifts from business partners, project partners or target groups, unless this involves small gifts given customarily as a token of hospitality in the country concerned, worth no more than the equivalent of approximately EUR 25. Gifts worth more than that must be refused with reference to MISEREOR's Guidelines or, if this is impossible for reasons of protocol or political/cultural reasons, passed on directly to MISEREOR for further use. Conversely, MISEREOR staff members shall only give gifts as a matter of due courtesy or offer personal benefits provided that this cannot be construed as disreputable, improper or creating a state of dependency and obligation on the part of the recipient. Staff members must draw up a list of gifts received or given worth more than EUR 25, and submit this list to their superior.
3. It is forbidden to offer or accept hospitality or expenses in cases where this could affect the conclusion of business deals or approval of projects, and involves expenditure that goes beyond what would be reasonable and appropriate.
4. When selecting and appointing staff, clear and transparent procedures must be applied. The shortlisting process shall be documented in the form of an overview of the applications received. Interviews shall be conducted using a structured and standardised outline. Decisions shall be recorded in writing. This will prevent conflicts of interest when hiring or contracting relatives or friends of those making the appointments or issuing the commissions, as well as relatives and friends of superiors or members of relevant bodies. To avoid conflicts of interest based on close personal relationships, partners of MISEREOR staff members or other individuals with close personal links to them should not be placed in professional relationships with MISEREOR staff members that involve a line management relationship or a contractual relationship (involving an obligation to perform or accept services).
5. When procuring goods or buying-in services, MISEREOR's guidelines for the award of contracts for supplies and services shall be strictly applied.
6. MISEREOR must be notified of any secondary employment or any external, remunerated services, pursuant to the regulations governing secondary employment.
7. The signature regulations laid down in the working manuals provide for the so called 'four eyes principle' in standard cases, and deviations in clearly outlined exceptional cases.

3. Appointing an ombudsperson, role and task of the ombudsperson

MISEREOR has created an ombudsperson's position. The ombudsperson will enable whistle-blowers to remain anonymous, thus making it easier for them to provide information. At the same time, the ombudsperson must protect those accused against unwarranted suspicion. When whistle-blowers take the first step of seeking to discuss their suspicions, the ombudsperson will represent an alternative and complementary course of action to approaching their superiors. The ombudsperson has a dedicated email address: ombudsstelle-misereor@net-transparenz.de.

The ombudsperson must follow up every reported case of corruption. The reports received will be recorded anonymously with regard to the individual submitting the report. We will

attach supreme priority to protecting whistle-blowers against all forms of discrimination (mobbing, labour law-related sanctions etc.).

If the suspicion proves well-founded and the report warrants serious consideration, the ombudsperson will invite the staff member concerned to respond in the form of a statement. The ombudsperson will forward this statement to the Board of Directors, or if the Board itself is involved to the Supervisory Council.

The ombudsperson itself will not investigate suspected cases of corruption any further than that. Suspected cases will then be dealt with further in the series of steps described in the present Guidelines. The ombudsperson will deal with reports in writing, and this shall be documented. The whistle-blower will be notified as to the whereabouts of their report. Furthermore, the ombudsperson will submit an annual activity report to the Board of Directors/Supervisory Council.

4. Sanctions

Corruption can only be prevented effectively by dealing coherently with violations of MISEREOR's integrity guidelines or proven cases of corruption. Consequently, appropriate sanctions must be laid down for violations.

MISEREOR will take disciplinary and criminal action against corrupt staff members that is commensurate with the severity of the case.

Section 5

Notes on other groups of individuals

1. Consultants (local, international)

External consultants who work for MISEREOR regularly will be notified of the corruption prevention guidelines by the section responsible for commissioning the consultants. A passage drawing attention to the consequences of violating the guidelines will be incorporated into consultants' contracts.

In cases where they suspect corruption, external consultants should approach the Head of Department at MISEREOR who is responsible for them. The relevant Head of Department will then proceed as described in Section 4.

2. Seconded expatriate development workers

Expatriate development workers seconded by the Association for Development Cooperation (AGEH) are under contract to the Association and to the organisation in the project country. They are obliged to maintain confidentiality and to protect the legitimate interests of the local organisation. Should they suspect corruption, the corruption guidelines and procedures of this organisation apply. Usually they will first of all attempt to solve the problem locally by contacting those responsible for the project (e.g. Director or Bishops' Conference).

If a development worker is unable to pursue this path (e.g. because they suspect those responsible for the project of corruption, or due to other factors causing a lack of confidence between the development worker and their employer), the development worker is obliged to involve the Association. AGEH is then obliged to draw up a schedule of measures to deal with this case of suspected corruption. In consultation with MISEREOR, AGEH may also make use

of the existing procedures for preventing corruption and dealing with cases of corruption (see Sections 3 and 4).

Corruption is also a topic addressed as part of the preparation and induction programme for development workers, and is included in the development workers' contracts.

3. Heads of Dialogue and Partnership Services (DPSs); short-term consultants

The heads of the Dialogue and Partnership Services are AGEH development workers; the contract of employment is entered into by the development worker, a local institution and AGEH. Administrative responsibility and supervision of the work in the project country rests with the head of the respective continental department at MISEREOR. The first point of contact for the manager of the Dialogue and Partnership Service is the responsible regional officer in the continental department.

The costs of setting up and running a DPS are financed from MISEREOR funds. An external auditor is always commissioned to verify the proper use of the funds for their designated purpose. Details of the minimum standards for steering and managing a DPS are laid down in the 'Handbook for MISEREOR Dialogue and Partnership Services'.

These provisions shall apply to short-term consultants accordingly. The contact persons shall be the coordinators appointed for the short-term consultants.

4. Volunteers

Volunteers are guests within their organisation. If they suspect corruption they should contact the responsible officer for the volunteer service, who will proceed as described in Section 4.

The above Guidelines were adopted by the Board of Directors on 30 November 2012. They shall become effective on their date of publication on the MISEREOR intranet.

These guidelines shall be a binding component of project contracts with local partner organisations, employment contracts, free-lance and cooperation agreements as well as other service contracts.

Violations may lead to extraordinary dismissal (without notice) or to immediate termination of the contract.

MISEREOR reserves the right, in compliance with the legal requirements, to publicise cases of corruption in partner organisations and to issue corresponding warnings.

The Supervisory Council and the Bishops' Commission have noted and concurred with these Guidelines.

Transparency and monitoring of the use of funds

MISEREOR'S BASIC TRANSPARENCY PRINCIPLES

I. GENERAL REMARKS

Through its work MISEREOR aims to help reduce poverty, hunger and deprivation. It also seeks to help implement human rights, build just societies, resolve conflicts peacefully and steward Creation. Finally, it aims to help make globalisation socially and economically sustainable.

To achieve these goals MISEREOR relies on the support and trust of its supporters in Germany, whose financial contributions fund its work and make it possible.

MISEREOR can only credibly perform its role of mediator between those giving and those receiving, and advocate of the poor and needy, by practising openness and transparency at all levels of its actions and activities.

MISEREOR is therefore committed to complying with the following basic principles and rules.

II. BASIC PRINCIPLES

1. RESPECT FOR HUMAN DIGNITY

Our actions are guided by the principle of the inviolability of human dignity. According to our understanding, people on all continents are the subjects of their own actions, not the objects of assistance.

2. ORGANS AND BOARD OF DIRECTORS

The members of the official bodies that guide and supervise the work of MISEREOR perform the tasks entrusted to them with great expertise and seriousness.

Clear and unequivocal distinctions are drawn between the tasks and roles of the honorary supervisory bodies, as well as between the tasks and roles of these bodies and those of the executive Board of Directors, which is a professional body.

These rules are described in MISEREOR's statutes, which are known to the public.

The remuneration and compensation paid to the Directors of the German Catholic Bishops' Organisation for Development Cooperation are disclosed. The honorary members of MISEREOR's supervisory bodies do not receive remuneration or compensation. Furthermore, the other offices held by the members of MISEREOR's official bodies and the Directors are made public.

3. ECONOMY AND EFFICIENCY

MISEREOR uses all the monies entrusted to it responsibly, economically and efficiently. This also means that MISEREOR acts with foresight and systematically, and that there are clear rules and standard procedures for all staff when putting this money to use. These include clear and transparent rules for external tendering and for procuring goods and services.

To prevent abuse and corruption we have internal guidelines for staff members and managers. By providing continuous training to our staff members and managers we continuously support implementation of the existing rules and procedures, and improve the work of our employees.

4. INTERNAL ORGANISATION

MISEREOR has a well-functioning, professional organisational structure with a clear and unequivocal definition of the division of in-house responsibilities and authorisations to sign. To secure and further develop our internal organisational structure and procedures we have an internal auditing section that regularly monitors all work units, and reports to the Board of Directors and supervisory bodies.

5. ACCOUNTING AND REPORTING

MISEREOR is committed to publishing transparent information on the sources from which it obtains its funds, and how it uses them.

MISEREOR's accounting practices comply with the legal regulations and the standards set by the valid guidelines of the Institute of Public Auditors in Germany (IDW) and the guidelines of the German Central Institute for Social Issues (DZI). In this connection we observe the following principles:

- accuracy and freedom from arbitrariness
- clarity
- completeness
- careful evaluation of assets and liabilities.

MISEREOR publishes an annual report on this, which also indicates when donations are passed on and placed at the free disposal of other non-profit organisations.

External consultants also evaluate MISEREOR's projects and produce an annual evaluation report. This provides the public with information of the effectiveness of project work, and thus makes an effective contribution toward transparency. It also includes a realistic assessment of the risks for future development.

6. AUDITING

The annual external audit encompasses the following points:

- the correctness of accounting and accuracy of the annual financial statements, comprising the balance sheet, the profit and loss account, the notes and the voluntary annual report
- compliance with the fundraising certificate criteria of the German Central Institute for Social Issues (DZI)
- orderly management, and the economical and efficient use of funds.

The result of the audit is made available to the public in the form of the auditor's opinion, and published in the Annual Report.

The auditors report personally to the professional Board of Directors, and to the honorary executive and supervisory bodies, concerning the outcome of the audit they have conducted.

7. DEVELOPMENT EDUCATION

We attach importance to truthful and objective communication, and make our underlying values, our motives and our own actions transparent. We support people in deciding between alternative courses of action, and in reflecting critically on their own views. We base this on respect for other cultures and tolerance of other perspectives, provided that these do not violate human dignity.

MISEREOR performs its development education work in compliance with the principles of journalistic and ethical probity. We base this on the guidelines laid down in the International Code of Ethics (Code d' Athène or Code of Athens), and the German Press Code.

8. PUBLIC RELATIONS AND FUNDRAISING

When communicating with supporters, MISEREOR is committed to complying with Christian and ethical values. For corporate sponsoring measures a 'Code of Ethical Sponsorship' has been prepared as a guideline, which is available to the public.

We respect the right of supporters to make their own decisions. We will not take any action that might appear to pressurise them into taking particular decisions.

The designated purpose of a donation will be described truthfully, and we will guarantee that the donation will be used for that specified purpose.

No commission or any other performance-based incentive will be paid for identifying supporters willing to make donations.

We recognise the International Statement of Ethical Principles in Fundraising issued by the German Fundraising Association.