

# BUSINESS INTEGRITY AND ETHICS





**Transparency Maldives**, the National Chapter of Transparency International in The Maldives, is a non-partisan organization that promotes collaboration, awareness and undertakes other initiatives to improve governance and eliminate corruption from the daily lives of people. Transparency Maldives views corruption as a systemic issue and advocates for institutional changes that will punish and prevent corruption.

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## WHAT IS CORRUPTION?

Corruption is the abuse of entrusted power for private gain.

## WHAT IS BRIBERY?

Bribery is the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of money, gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours etc.).



## WHAT IS BUSINESS INTEGRITY?

Business integrity is a set of standards, safeguards and code of conduct by which an organization undertakes its operations and ensures that the organization has safeguards against corrupt or unethical behavior.

## WHY ARE BUSINESS INTEGRITY AND ETHICS IMPORTANT FOR AN ORGANIZATION?

Business integrity and ethical standards, in the form of commitments, policies, procedures and special programs, reinforce a culture of integrity and compliance; enhance public trust and credibility of the organization; and prevent unethical or corrupt acts which can pose reputational and financial risks for the organization.



# WHAT ARE THE FEATURES OF AN INTERNAL BUSINESS INTEGRITY FRAMEWORK?

Whilst there can be many policies, procedures and measures in place to prevent corruption and promote business integrity, the following areas are commonly cited as key features of a business integrity framework:

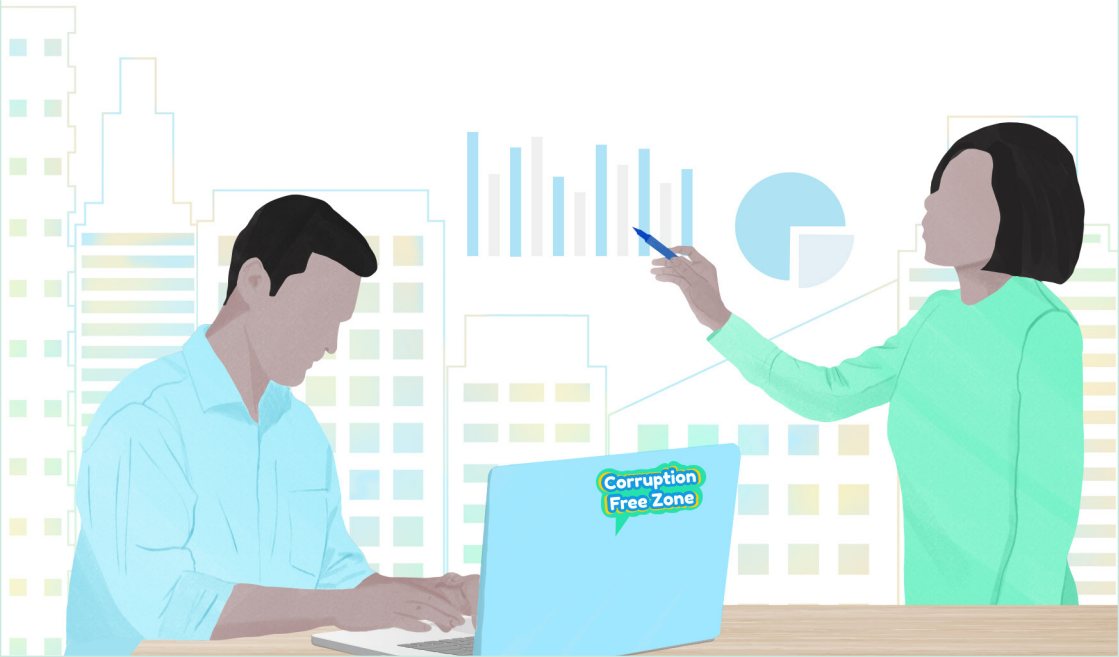
- ▼ Strong and explicit commitment from the leadership or top management of the organization to business integrity and anti-corruption.
- ▼ An oversight and governance structure that ensures or enables independence and autonomy, and strict compliance to anti-corruption laws.
- ▼ Risk assessments to identify areas prone to corruption.
- ▼ Internal controls covering authorization, documentation, safeguarding of assets, and segregation of duties.
- ▼ Procurement procedures based on integrity, transparency, efficiency, fairness, accountability and professionalism.
- ▼ Anti-corruption policies and procedures covering code of conduct, conflict of interest, gifts, whistleblowing and access to information.
- ▼ A communication and training program on anti-corruption, ethics and compliance.
- ▼ Clear reporting mechanism for violations or corrupt activities and disciplinary actions.

## WHY ARE RISK ASSESSMENTS IMPORTANT?

Risk assessments are important in order to identify areas that are more susceptible to corruption and will allow identification of strategies to mitigate vulnerabilities.

## WHAT CAN BE DONE TO ENSURE THAT AN ORGANIZATION'S FINANCES ARE FREE FROM THE RISK OF CORRUPTION?

Ensure a proper financial management system is in place with checks designed to ensure that financial resources are properly used, such as accounting, record keeping, regular financial oversight and reporting, and in-house audits.



## WHAT SHOULD BE CONSIDERED WHEN DESIGNING INTERNAL CONTROLS?

- ▼ Measures for approvals, authorizations and verifications to set the required level of approvals and authority to review or approve the transactions before execution.
- ▼ Measures for documentation to establish policies and procedures and standard forms or documents to be used, and maintain records of communication/meetings.
- ▼ Measures for managing and safeguarding assets to maintain inventory of assets and determine who has access to assets.
- ▼ Segregation of duties to maintain checks and balances to prevent a single individual from handling conflicting responsibilities or duties and reduce the risk of error or inappropriate action.





## WHO SHOULD AUDIT THE ORGANIZATION?

An approved external auditing firm should audit your organization. However, in instances where there are budget constraints, lack of a legal requirement to externally audit or due to the small scale, cash-basis operation, some organizations undertake internal auditing instead. Internal audits attempt to uncover deficiencies and inefficiencies in an organization's operations and analyze ways to improve. Internal audits can be conducted by either an employee or member, or outsourced to a third party.

## WHY HAVE AN ASSET MANAGEMENT SYSTEM?

An asset management system, namely an inventory and tracking system, enables safeguards against abuses and corrupt practices. Without an inventory and tracking system, an organization's assets can be subject to misuse such as personal use, renting, undervaluing in sales and theft. A proper asset management system will help to determine the extent to which an organization's assets are subject to corrupt use and provides protection against corrupt practices.



# WHAT IS THE PURPOSE OF A PROCUREMENT POLICY?

The purpose of a procurement policy is to ensure that an organization procures goods and services in a transparent, cost effective and a timely manner. It also ensures that individuals involved in the procurement processes are held accountable and that the procurement undertaken by the organization delivers business value.

# WHAT ARE THE BASIC PRINCIPLES BEHIND A GOOD PROCUREMENT POLICY?

**The basic principles of a good procurement policy are:**

- ▼ integrity
- ▼ transparency
- ▼ accountability
- ▼ fairness
- ▼ efficiency, and
- ▼ professionalism.



## WHAT IS THE PURPOSE OF A RECRUITMENT POLICY?

The purpose of a recruitment policy is to ensure that the hiring process of an organization is guided by written guidelines or procedures that are consistent, fair and transparent, and help the organization employ or engage with best possible candidates to achieve the organization's targets and mission.

## WHY IS DUE DILIGENCE IMPORTANT IN RECRUITMENT?

Due diligence helps to ensure that there is proper vetting before members, employees, and volunteers are selected, in order to determine whether they have engaged in misconduct or other actions that are inconsistent with the organization's principles and values.



## WHAT IS A CODE OF CONDUCT?

A code of conduct is a policy which outlines the values, standards, guidelines for behavior and best practices that all members and employees and/or third parties acting on behalf of an organization must follow.

## WHY SHOULD GIFTS, HOSPITALITY AND EXPENSES RECEIVED BY AN ORGANIZATION BE DOCUMENTED?

Gifts, hospitality and expenses are vulnerable to being used for bribery and to influence an organization's decisions. They can also be used to build and maintain a relationship and to gain certain advantages. If gifts, hospitality and expenses accepted and offered with set limitations/thresholds, are reviewed and duly recorded, it prevents gifts from being used as a subterfuge for corruption.

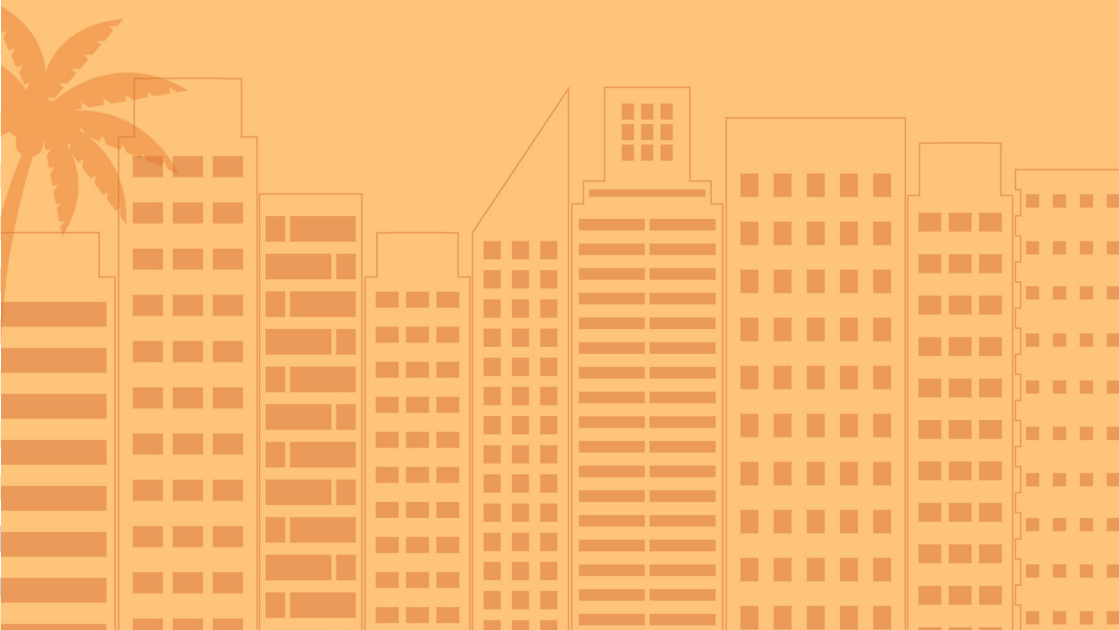


## WHAT IS CONFLICT OF INTEREST?

Conflict of interest is a situation where an individual or the entity for which they work, whether a government, business, media outlet or civil society organization, is confronted with choosing between the duties and demands of their position and their own private interests.

## WHAT MEASURES CAN BE UNDERTAKEN TO MITIGATE CONFLICT OF INTEREST?

Measures that can be undertaken to mitigate conflict of interest include adopting a conflict of interest policy; establishing procedures to declare and register conflicts of interests and recuse in situations of conflict; and undertaking disciplinary measures for failure to disclose conflicts.



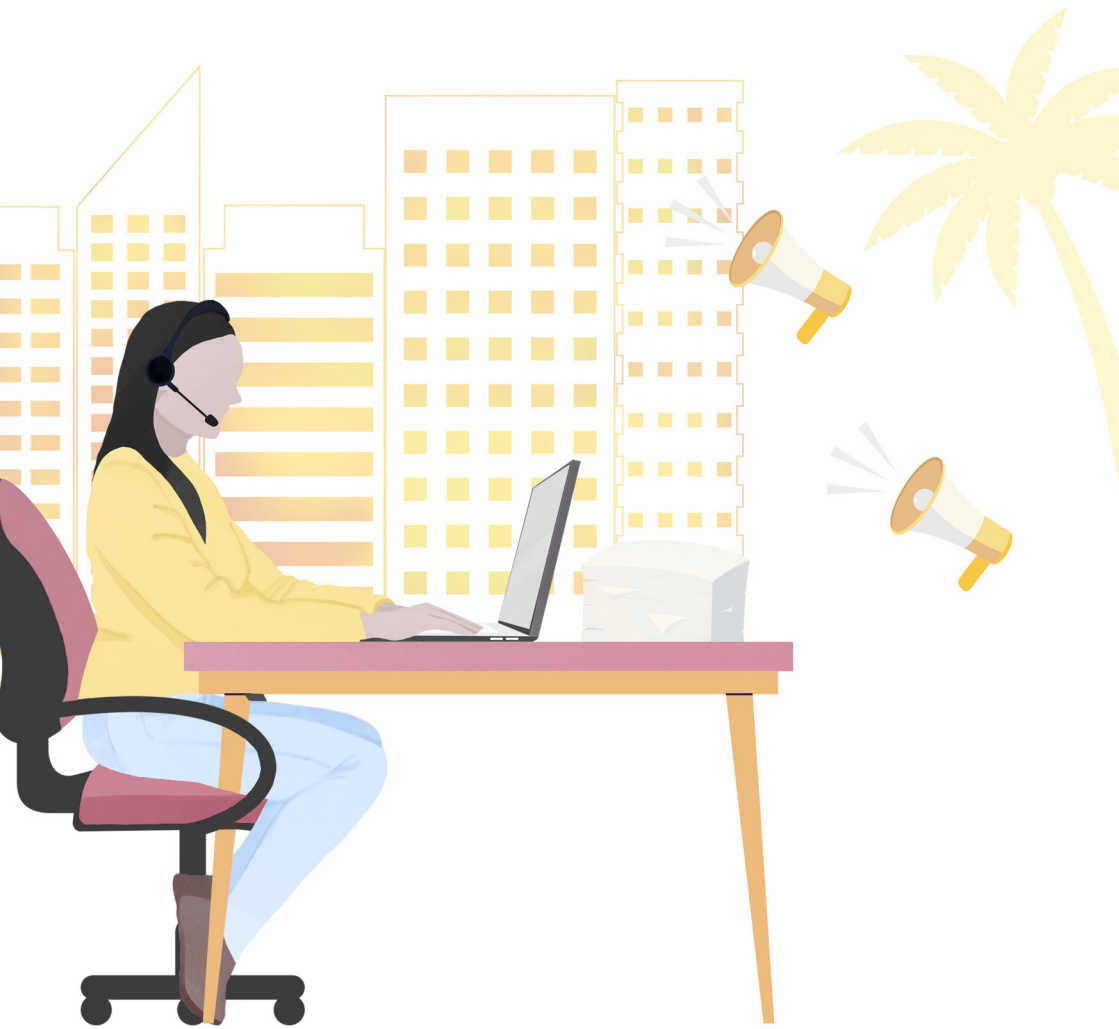
## WHAT IS A WHISTLEBLOWING MECHANISM?

A whistleblowing mechanism is a set of policies or procedures within an organization which establishes safe and effective channels to report complaints and concerns, and establishes a comprehensive protection and support for the reporting person. A whistleblowing mechanism is also referred to as an internal reporting mechanism.

## WHAT MEASURE CAN BE UNDERTAKEN TO PROTECT WHISTLEBLOWERS WHO REPORT VIOLATIONS?

Organizations should protect the identity of a whistleblower, hence confidentiality should always be ensured. However, in some instances, the nature of the complaint or disclosure may be traced back to the reporter, hence mechanisms should be there to report anonymously, with the whistleblower protection policy explaining the limitations of anonymous reporting, such as difficulty in providing support and protection when reported anonymously.







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