

Checklist for Self-Audits on Corruption Prevention in Companies

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1. Introduction and Objectives

Corruption refers to the misuse of a position of trust in administration, business, or politics to gain a material or immaterial advantage for oneself or a third party, to which no legal claim exists.

The purpose of this checklist is to assist companies in analyzing and mitigating potential corruption risks. It is not intended to identify specific instances of corruption.

The guiding questions are tailored to medium-sized companies with a certain level of organizational complexity, such as those with domestic and foreign subsidiaries.

A self-audit based on this checklist is merely a building block and a first step toward implementing a comprehensive company-wide program to combat corruption.

2. Explanation of Content, Structure, and Limitations of the Checklist

The checklist is based on:

- The leadership principles for small and medium-sized enterprises (SMEs) to combat corruption by Transparency Germany.
- The COSO ERM risk model (Enterprise Risk Management Framework) by the Committee of Sponsoring Organizations of the Treadway Commission.
- The IDW PS 980 standard by the Institute of Public Auditors in Germany.
- Guidelines from the Constance Institute for Corporate Governance for SMEs.
- Best practices for combating corruption and fraudulent activities (Anti-Fraud Management Systems).

The checklist focuses on forms of corruption most likely to occur in companies, particularly areas where bribes, kickbacks, or hidden advantages may flow directly or indirectly.

However, areas not covered in this checklist may still pose corruption risks. Depending on the company's specific situation, other processes may need to be included. For domestic and foreign subsidiaries, a separate assessment may be necessary.

Each company's management must decide, based on the company's size, industry, and structure, which business processes pose corruption risks and what safeguards are required. Experts should be consulted for this assessment.

The checklist questions are intentionally proactive, implying preventive measures that should be implemented and continuously monitored. However, this does not guarantee that corruption incidents will not occur.

For such cases, companies must have processes in place to detect and address corruption, tailored to the industry, size, and structure of the organization. These systems are generally referred to as Anti-Fraud Management Systems.

The checklist covers the following topics:

- Business policy (Compliance Policy)

- Corporate governance (Risk Management and Management Controls)
- Advantages and benefits granted to or received from third parties
- Memberships and financial interests in other companies
- Donations and sponsorships to or from political organizations
- Employee regulations (e.g., secondary employment)
- Rules for interactions with customers and competitors
- Rules for interactions with suppliers and other business partners (e.g., consultants, auditors, trustees, representatives, freelancers)
- Controls for subsidiaries and participations
- Internal process controls (especially in accounting)

The checklist questions are assigned to typical organizational units within a company:

- Management
- Human Resources
- Finance and Accounting
- Sales
- Procurement

3. Handling the Checklist

The structure and detail of the questions in this checklist are suggestions and may not apply to every company or organization.

The checklist can and should be modified, expanded, and tailored to the company's specific situation, especially for small and medium-sized enterprises.

The company's management determines who will lead the self-audit and which individuals will be interviewed.

Those conducting the audit should have sufficient knowledge and experience regarding:

- The company's organizational structure, markets, and industry.
- Internal company policies.
- Relevant legal regulations on embezzlement, bribery, or unfair competition (e.g., German Criminal Code, International Bribery Act, Unfair Competition Act).
- Further applicable compliance standards (e.g., Corporate Governance Code, SOX, HGB, AO-EstG, EU and OECD guidelines).
- Knowledge of Risk Management, Internal Control Concepts, and Anti-Fraud Management Systems.

Involving the works council is recommended.

Answers to the checklist questions are assessed using a three-level scale:

- 1 = Fully implemented (process or function is established, measures are implemented, and effectiveness is comprehensively monitored).
- 2 = Partially implemented (process or function is established, measures are mostly implemented, and effectiveness is partially monitored).

3 = Not implemented (process or function is not established, measures are only sporadically implemented, and effectiveness is not monitored).

X = Not applicable.

4. Checklist

4.1 Questions on Corporate Governance

4.1.1 Does management set a clear example that corruption is not a means to achieve company goals and act accordingly in cases of detected corruption?

4.1.2 Is an adequate compliance system established company-wide, including corruption risks?

4.1.3 Is there an official function (contact person) for all questions and measures related to compliance with legal and internal company regulations?

4.1.4 Is a function established to detect corruption and other compliance violations (e.g., ombudsperson, whistleblowing system)?

4.1.5 Are there sufficient written business principles and codes of conduct binding for all employees and, if applicable, business partners?

4.1.6 Does the company clearly reject corruption and take action against corrupt behavior within its ranks through appropriate policies and procedures?

4.1.7 Are conflicts of interest disclosed and managed?

4.1.8 Is an Internal Control System (ICS) implemented, allowing independent audit functions (e.g., internal audit, compliance) to regularly review all company areas and subsidiaries?

4.1.9 Is the ICS also implemented and regularly reviewed in the IT area?

4.1.10 Is there a standardized process for handling initial indications or evidence of corruption (Anti-Fraud Management)?

4.1.11 Are corruption cases analyzed, and are control measures developed and implemented to minimize future risks?

4.1.12 Is there a clear communication strategy for corruption cases (both internally and externally) to avoid reputational damage?

4.1.13 Are regular reviews of all departments conducted regarding corruption risks (by internal or external parties)?

4.1.14 Are organizational activities (e.g., management board, supervisory board, advisory board) or consulting activities for competitors explicitly prohibited?

4.1.15 Are organizational or consulting activities for other companies—especially customers, suppliers, or other business partners—regulated and subject to approval?

4.1.16 Is the acquisition of company shares or options by employees, subsidiaries, or third-party business partners clearly regulated?

4.1.17 Are private financial interests in other companies subject to approval, especially in those considered competitors or business partners?

4.1.18 Are donations for political or charitable purposes and sponsorships carefully reviewed and disclosed?

4.1.19 Are loans to employees, business partners, and subsidiaries regulated and subject to approval?

- 4.1.20 Are the establishment, modification, or dissolution of subsidiaries or participations clearly regulated and subject to approval?
- 4.1.21 Are activities in countries with high corruption risks (e.g., according to Transparency International's Corruption Perceptions Index) subject to special oversight?

4.2 Questions on Human Resources

- 4.2.1 Are all employees at all company locations required to comply with local and national laws?
- 4.2.2 Are all employees required to adhere to business principles and codes of conduct, either in writing or through employment contracts?
- 4.2.3 Can employees invoke these principles and guidelines without negative consequences, even if it leads to reduced profits, revenue, or conflicts with superiors?
- 4.2.4 Are regular training sessions conducted for employees on internal guidelines and regulations?
- 4.2.5 Are secondary employments regulated and subject to approval, especially in companies considered competitors, customers, or suppliers?
- 4.2.6 Are external employees (e.g., consultants, freelancers, service providers) also bound by internal guidelines and codes of conduct?
- 4.2.7 Are employees required to report bribery attempts immediately?
- 4.2.8 Are conflicts of interest involving close relatives (e.g., family members, partners) appropriately communicated and managed?
- 4.2.9 Are secondary employments subject to approval and monitored for content and compensation?
- 4.2.10 Are internal cost budgets for social or community purposes regularly reviewed for their intended use?
- 4.2.11 Are clear, uniform rules in place for accepting or granting gifts, hospitality, and invitations for all employees, domestically and internationally?
- 4.2.12 Are recruitment, staffing, and promotion processes based on transparent criteria and procedures?
- 4.2.13 Are executives (e.g., management board, department heads) and employees in key positions subject to thorough pre-employment screening?
- 4.2.14 Are compensation structures designed to avoid incentives for unethical behavior (e.g., excessive performance bonuses)?

4.3 Questions on Finance and Accounting

- 4.3.1 Are all payments made only against precise receipts and for the stated purposes?
- 4.3.2 Are payments for gifts, hospitality, donations, cash purchases, commissions, and external consultants reviewed for appropriateness and purpose?
- 4.3.3 Is a uniform, unambiguous chart of accounts (Master Chart of Accounts - MCoA) applied company-wide?

- 4.3.4 Are deviations from the MCoA (e.g., trust accounts) subject to reporting and approval?
- 4.3.5 Are invoice verification and payment approval organized as separate functions?
- 4.3.6 Are private withdrawals by shareholders transparently and traceably recorded?
- 4.3.7 Are all company areas integrated into the financial accounting system through subsidiary ledgers?
- 4.3.8 Are IT systems secured through technical and organizational measures to prevent unauthorized access and ensure traceability of data manipulation?
- 4.3.9 Are investment processes (including application, approval, realization, recording, and payment processing) clearly regulated?
- 4.3.10 Is job rotation systematically practiced for sensitive functions (e.g., payment approval)?
- 4.3.11 Is the four-eyes principle (or alternative controls) systematically applied for sensitive functions?
- 4.3.12 Are purchasing and inventory control functions separated or systematically controlled?
- 4.3.13 Are travel and expense reports regularly reviewed for content by third parties?

4.4 Questions on Sales

- 4.4.1 Are specific rules for avoiding corruption issued for the sales department, if necessary?
- 4.4.2 Are sales employees required to comply with legal regulations and trained on relevant laws?
- 4.4.3 Are sales employees regularly trained on corruption-related topics?
- 4.4.4 Are price-fixing agreements of any kind prohibited?
- 4.4.5 Are agreements with customers that may have anti-competitive effects subject to approval and legal review?
- 4.4.6 Are deviations from standard contracts, amendments, side agreements, or special arrangements subject to approval and legal review?
- 4.4.7 Are direct or indirect "facilitation payments" to public officials or employees of other companies prohibited?
- 4.4.8 Are agents, representatives, or consultants subject to due diligence, clear contractual terms, and appropriate compensation?
- 4.4.9 Are commissions and fees paid to agents or representatives reviewed for appropriateness?
- 4.4.10 Are agents or representatives bound by internal guidelines and codes of conduct?
- 4.4.11 Is the entire sales process, from offer to signed contract, documented and traceable?
- 4.4.12 Are contract reviews regularly conducted in all sales areas, including retrospectively?
- 4.4.13 Are customer relationship activities (e.g., hospitality, gifts, sponsorships) monitored for appropriateness?
- 4.4.14 Are sales employees prohibited from obtaining market or competitor information through unethical means?
- 4.4.15 Are sales terms standardized and legally secured worldwide?
- 4.4.16 Are bribery, kickbacks, or other illicit payments to customers, agents, suppliers, or public officials prohibited?
- 4.4.17 Are all agent contracts approved by the company headquarters?

- 4.4.18 Are employees without purchasing authority prohibited from issuing legally binding orders?
- 4.4.19 Are reciprocal deals prohibited?
- 4.4.20 Are suppliers evaluated based on compliance criteria (e.g., corruption registers)?
- 4.4.21 Are procurement processes transparent and traceable, including for third parties?

4.5 Questions on Procurement

- 4.5.1 Are procurement processes transparent and traceable, including for third parties?
- 4.5.2 Are procurement employees required to comply with legal regulations and trained on relevant laws?
- 4.5.3 Are procurement employees regularly trained on corruption-related topics?
- 4.5.4 Are procurement processes (e.g., specifications, tenders, awards, complaints, payment processing) clearly regulated and documented?
- 4.5.5 Are new tenders open to an appropriate number of suppliers?
- 4.5.6 Are contracts legally reviewed before award, especially for long-term supply agreements or contracts with general contractors?
- 4.5.7 Are follow-up orders (e.g., “add-ons”) reviewed for necessity and appropriateness?
- 4.5.8 Are contract reviews regularly conducted in all procurement areas, including retrospectively?
- 4.5.9 Are suppliers and external partners required to maintain confidentiality?
- 4.5.10 Are suppliers and external partners required to sign integrity commitments?
- 4.5.11 Is job rotation systematically practiced in procurement?
- 4.5.12 Is the four-eyes principle systematically applied in procurement, especially for tenders and awards?
- 4.5.13 Are procurement terms standardized and legally secured worldwide?