

Annual GIZ Compliance Report

2021

Compliance and Integrity Unit

July 2022

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1. Summary of key results

The consolidation and further development of the Compliance Management System (CMS) as an overall system remains a key area of priority (see Section 3). Refining the internal control system (ICS) (see Section 4) is also a key focus.

In addition to compliance management, GIZ's CMS also encompasses internal anti-corruption and integrity management. At GIZ, the CMS is an important component of the broad-based ICS. Both systems take a risk-based approach (see Section 2). The risk-based approach and differentiated response to risks have proven effective, with the result that no significant process adjustments were necessary in the 2021 reporting year. GIZ's ICS also encompasses a comprehensive risk management system via which compliance and integrity risks are regularly reported from across the entire company before being assessed and systematically dealt with.

The relevant risks are addressed and dealt with as part of the annual compliance programme (see Section 3.1). For this, GIZ can draw on a large number of established and proven principles and measures, which are refined in line with requirements.

During the reporting period, integrity advisory services were integrated in the Compliance and Integrity/Case Management section within the Compliance and Integrity Unit. This also resulted in combined processing of compliance and integrity cases, so that as of 2021 the report will cover both (see Section 3.1.2).

The Compliance and Integrity Unit was assigned two new areas of responsibility in 2021:

- **ICS:** The unit has been responsible for the new area of ICS governance since the start of 2021, which is why this report has also been expanded to include a section on the ICS implementation status (see Section 4). The goal is to refine the ICS.
- **Whistleblower system** (see Section 3.1.1): In conjunction with the recommendations published by the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) on sexual exploitation, abuse and sexual harassment (SEAH), the unit assumed responsibility for advising on and dealing with cases of sexual misconduct as well as dealing with allegations of discrimination and bullying as of 1 August 2021. In addition, the responsibility for handling cases relating to potential human rights violations was transferred from the Sustainability Office to the Compliance and Integrity Unit to ensure standardised handling of cases within GIZ.

The Tax Compliance Management System (TCMS) is a sub-area of the CMS that is currently being established and developed. Its purpose is to ensure complete and timely fulfilment of tax obligations. The tax team of the Finance Department is responsible. TCMS reporting was also integrated in this report starting in 2021 (see Sections 3.1.1 and 5.1).

The CMS is subject to an ongoing monitoring and improvement process (see Section 3.2), operated by the Compliance and Integrity Unit. Adjustments that need to be implemented by the unit are documented in its plan of operations and implementation is reviewed on the basis of an annual monitoring plan. The Compliance and Integrity Unit reports the findings annually to the Management Board (as of 2021 in the form of an integrated report on the CMS, TCMS and ICS) and every two years to the Supervisory Board to support these bodies in their monitoring function. As the CMS is also part of GIZ's ICS, the work of the Compliance and Integrity Unit is also subject to internal audits by the Auditing Unit.

2. The risk-based approach of the Compliance Management System (CMS) and the internal control system (ICS)

An effective compliance management system aims to prevent sanctions, financial loss, and damage to GIZ's reputation. Nevertheless, there is no way to completely eliminate the possibility of breaches. Rather, the aim is to exercise **due diligence**, which is why GIZ has selected a **risk-based CMS approach**. At GIZ, the CMS is part of the comprehensive internal control system (ICS). The ICS is an integral part of corporate governance and company workflows, and plays a key role in identifying, evaluating, managing and monitoring the material risks to which GIZ is exposed.

GIZ's CMS is based on the **'three lines' model in accordance with international standards**, which defines and differentiates the roles and responsibilities of the different elements of an ICS. The interaction between the three lines aims to avoid risks (prevention), identify problematic issues at an early stage (detection) and respond appropriately to non-compliance and unavoidable risks (response).

- The **first line** of risk management encompasses the operational management in the framework defined by GIZ's internal rules (Processes and Rules, P+R). In addition to process-integrated monitoring measures such as the cross-check principle, the separation of functions and regulations on signing authority, this also includes process-independent monitoring measures such as risk reporting at least every six months and the internal control (IC) of projects and offices.
- In the **second line**, overarching governance tasks are performed and monitoring and support services provided for risk management. Key components include the Compliance Management System, risk management, controlling, information security management and, since the beginning of 2021, the ICS governance function in the Compliance and Integrity Unit.
- As the **third line**, the Auditing Unit reports directly to the Management Board. It is not integrated into everyday business operations and is therefore autonomous. The Auditing Unit monitors the functioning and effectiveness of the ICS. It also conducts process audits and routine, risk-based audits in Germany and partner countries to identify any weaknesses and scope for improvement.
- Moreover, GIZ is subject to a **large number of external audits** in which it has to regularly prove proper use of the funds entrusted to it.

Due to the **risk-based approach to achieving the ICS objectives** – in line with the principles of cost-efficient business management and with a view to safeguarding the efficiency of the processes – account is taken of the gross/net risk evaluation and the time required to perform the controls.

In GIZ's CMS, which is also risk based, analysing key compliance risks is the starting point for the compliance programme in order to identify the relevant areas of action and measures. With its internal control system, GIZ has a **comprehensive risk identification system** via which current compliance and integrity risks from across the entire company are regularly reported. GIZ routinely checks its **system of responsibilities for compliance issues** to ensure that all compliance issues are covered and to see whether any additions may be necessary.

The most problematic areas at the level of the company as a whole are also identified annually by **analysing the compliance risks** and are assessed in the form of a **risk control matrix**. The current risk control matrix (December 2021) provides an overview of the current high, medium and low compliance risks. In it, each risk topic is evaluated according to its potential for causing loss or damages and the probability of occurrence. The matrix takes a 'net' perspective, i.e. it takes into account risk-mitigating measures already initiated. It also sets out in each case the additional action required that has not yet been taken.

The **officers responsible for compliance issues prepare risk analyses**. After the Compliance and Integrity Unit verifies the plausibility of the data, the officers transfer the content to the risk control matrix. Should the unit not agree with the risk assessment, this is documented in the risk control matrix. The matrix also lists individual compliance issues for which there is no specific responsibility; the unit itself undertakes the risk analysis in these cases.

In order to keep compliance risks to a minimum, the **priority fields of action and need for action** to be addressed by the Compliance and Integrity Unit are derived from the risk control matrix and gathered in a **plan of operations**. These are dealt with as part of the **compliance programme** through specific measures.

This is an **ongoing process** that aims to address all relevant compliance and integrity risks according to their priority and ensure regular updates and adjustments based on changing requirements.

The Compliance and Integrity Unit is represented in the **Audit Coordination Committee, the Risk Management Committee and the Risk Management Board** and is apprised of information about any compliance measures that have been deemed necessary through these channels.

3. GIZ's Compliance Management System (CMS): implementation status

Ensuring compliance is an increasingly important factor in the activities of German and international companies and institutions; a fact also reflected in the business environment and trends monitoring process. In particular, GIZ is facing **growing challenges** in terms of the correct implementation of commissions due to ever-greater complexity, new commissioning parties and working under severe time pressure in increasingly difficult locations.

The CMS is intended to help the GIZ workforce address these challenges in a professional manner, give them more certainty in their actions and avoiding potential breaches of compliance rules at organisational level. In this spirit, GIZ works continuously to expand its CMS in a targeted manner based on the standard issued by the Institute of Public Auditors in Germany (IDW AuS 980) and the international management standard ISO 37301. This ensures that the CMS is comprehensively updated, taking all relevant factors into account. In addition to compliance management, GIZ's CMS also encompasses internal anti-corruption and integrity management.

The following sections of this report show which other significant milestones were reached in 2021 in the **seven core CMS elements**:



- **Compliance culture:** Orientation towards values is essential for GIZ's compliance management and therefore also the personal integrity of its workforce. A raft of preventive measures are thus geared towards a compliance culture that fosters the alignment of everyone's behaviour with the corporate values and compliance requirements. The system of responsibilities for compliance issues also helps strengthen the culture of responsibility and is thus a formative part of the compliance culture.
- **Compliance objectives:** Compliance is mainstreamed in the Corporate Strategy as a governance element. Accordingly, the compliance objectives are based on GIZ's objectives.
- **Compliance risks** (see Section 2): GIZ's CMS takes a risk-based approach. Since 2020, compliance risks of particular relevance have been recorded in separate risk maps, whose results are integrated in the risk control matrix prepared by the Compliance and Integrity Unit.
- **Compliance programme** (see Section 3.1): The compliance programme covers the compliance principles as well as all the preventive, explanatory and reactive measures implemented by GIZ to ensure compliance and limit its exposure to compliance risks. This ensures that breaches of the compliance rules are first and foremost prevented, but otherwise are detected and dealt with effectively.
- **Organisation of compliance management:** The focus here is on ensuring that compliance management is firmly embedded within the company. At GIZ, this is achieved by making sure that the CMS has the resources needed to perform its designated function: the roles and responsibilities of those units involved in operating the CMS as well as the associated procedural structures are in place and a well-functioning governance structure with specialist bodies (Compliance Commission and Compliance Committee) has been established.

The Compliance and Integrity Unit has coordination and controlling functions within the company-wide CMS that include identifying the need for action and demanding the necessary measures.

The relevant specialist units (e.g. Human Relations Department, Procurement and Contracting) are responsible for ensuring that processes and tasks are designed in accordance with the rules, that they meet legal requirements and that they are aligned with the requirements of both commissioning parties and GIZ itself. For certain issues where responsibility is not clearly allocated to a given specialist unit, GIZ has defined

clear and binding compliance responsibilities and assigned these, thus ensuring that no responsibility gaps arise in the company.

- **Compliance communication** (including compliance training and reporting): Analysing and communicating compliance-related information and experiences has a positive impact on the compliance culture, facilitates transparent reporting, gives staff greater certainty in their day-to-day work and enables compliance risks and incidents to be dealt with more easily (see Section 3.1.3 for information on the compliance training measures implemented). The unit provides an update on the CMS to the Management Board each year and to the Supervisory Board every two years. An abridged version of the Management Board report is also published on the intranet and internet (see Section 3.1.4).
- **Monitoring and improving compliance** (see Section 3.2): Compliance management systems can only be effective if they are capable of 'learning'. The suitability and effectiveness of the CMS is thus assessed on an ongoing basis and lessons learned evaluated in order to pinpoint any adjustments that are needed. Findings arising from case management also play an important role.

3.1. Compliance programme

3.1.1. GIZ regulations and measures

The compliance programme includes those regulations and measures designed to prevent corruption and promote integrity that are already firmly established at GIZ. The Compliance and Integrity Unit also ensures the identification and mainstreaming of new compliance-relevant measures and thus systematically enhances the compliance programme on an ongoing basis.

The following essential **regulations and measures** have been **established** at GIZ:

- Comprehensive binding internal regulatory framework (Processes and Rules, P+R)
- Code of Ethics
- Code of Conduct
- Basic Compliance Rules
- Compulsory web-based training on compliance
- System of responsibilities for compliance issues
- Whistleblower system with various access channels
- External ombudsperson
- Autonomous compliance and integrity advisory services and case management that are not tied to any particular discipline
- Central case management and reporting
- Obligation to report serious compliance violations for all management personnel ([P+R Rule 554](#))
- Anti-corruption policy that reflects GIZ's policy of zero tolerance in all cases of corruption
- Professional procurement and award management processes in Germany and in the field structure
- Prevention of corruption through staff rotation.

Within this framework, the Compliance and Integrity Unit also implemented the following measures in the period covered by this report:

- **Risk-based compliance management in the field structure**
 - In 2021 the unit again supported the across-the-board implementation of compliance management in the field structure, based on prevailing needs.
 - The **list of criteria grid for allocating countries** to compliance risk categories is reviewed annually and updated as necessary (most recently at the end of 2021 for the 2022 process).
 - In 2021, 4 countries were placed in the **very high compliance risk category** (compared to 3 in 2020) and 26 countries in the **high compliance risk category** (compared to 22 in 2020). The number of countries in the medium and low compliance risk category was 66 (2020: 71). The compliance risks identified locally are regularly incorporated in the risk management process and reported as part of risk assessment, meaning that they are continuously fed into the company-wide process for tackling risks.
 - The **risk-based approach and differentiated response to risks have proven effective**, with the result that no significant process adjustments have been necessary. It should be noted that the implementation of the respective requirements continues to vary in quality from country to country.

- **Compliance training**
 - The content of the two **compulsory, web-based compliance training courses** for all staff, development workers and managers has been updated due to several changes in requirements. A section on the Code of Ethics has been added to the Basic Compliance Module. Meanwhile the two sections on Data Protection and Information Security have been removed from the Basic Compliance Module because separate compulsory web-based training courses on these two topics have been rolled out.
 - The country director must arrange for all national staff who cannot participate in the web-based compliance and integrity training (for example, because they do not have access to a computer or have insufficient knowledge of the language used) to attend **in-person training** under [P+R rule 552](#). For this purpose, the Compliance and Integrity Unit has developed an **offline training version** with sections on the Code of Ethics, Corruption Prevention and Conflicts of Interest (both key components of the Code of Conduct) and Equal Treatment and Anti-Discrimination. These are to be used in the in-person training that will be rolled out in 2022.

- **Anti-corruption management**
 - In December 2020, the Compliance Committee decided to establish the **Response Body**, which will handle corruption-related cases during a two-year pilot phase. This approach is intended to establish uniform handling of disciplinary action under employment law against GIZ staff in response to all cases of corruption in Germany and abroad. In 2021, the Response Body handled 7 cases during which (labour) law responses affecting 13 staff members were discussed. Experience during the pilot phase has been positive, so that it is to become mandatory as of the end of 2022 to involve the Response Body.
 - In 2021, the unit carried out a company-wide **inventory of work areas particularly susceptible to corruption**. The goal was to ascertain which workplaces are particularly susceptible to corruption and identify the associated risks. The potential risk areas identified were evaluated and scope for improving corruption prevention identified. These will be implemented inside GIZ as part of different follow-on processes.

- **Business partner checks (BPCs):**
 - BPCs are integral to a functioning compliance management system serving to protect GIZ from financial loss and reputational damage as well as criminal violations. An important part of the BPC system is the **specific responsibilities for compliance issues** delegated in 2020 and 2021. In the reporting period, a particular focus was on the analysis of the check processes of 13 business partner clusters and the resulting improvement measures. In 2021, the officers responsible for compliance issues carried out an inventory of structural risks in the check processes for the first time and created **risk maps** that were incorporated into the risk control matrix.
 - The digitalisation of steps involved in BPCs, including the documentation of results, is **now being fed into the ongoing development of the internal control system (ICS)**. In addition, the Compliance and Integrity Unit works consistently to hone the awareness of the officers responsible for compliance issues, to ensure that this is taken into account in ongoing digitalisation projects, e.g. in the relevant S4GIZ P2P workstream, master data management, and the refinement of the digital assistant used in the commercial and legal eligibility check of recipients of financing.

- **Case management:**
 - **Discrimination, sexual misconduct and bullying:** On the basis of the recommendations published in mid-2019 by the Organisation for Economic Co-operation and Development (OECD)/ Development Assistance Committee (DAC) on sexual exploitation, abuse and sexual harassment (SEAH) and on the work of a cross-departmental working group, the Management Board transferred responsibility for delivering advice and handling cases involving sexual misconduct as well as handling allegations of discrimination and bullying to the Compliance and Integrity Unit as of 1 August 2021.

Since then, **two compliance officers specialised in these areas** have been assigned and the interfaces and responsibilities clarified with relevant units in the company (including the Human Relations Department and COPE, the psychosocial counselling unit). As a result, the unit has also taken over the grievance desk for all complaints under the German General Act on Equal Treatment (AGG), which was formerly attached to the Human Relations Department. The Human Relations Department retains responsibility for compliance issues, policy issues and training measures.

Transferring the responsibility to the Compliance and Integrity Unit **is intended to ensure neutral advice and investigation of the facts of cases in accordance with a standardised process inside and outside Germany**. In its endeavours, the unit follows its general process flowchart for case management.

Another important new development is the fact that GIZ also applies content of the AGG, which actually covers only employees with a German employment contract, to national staff, development workers and integrated experts. This ensures **that the same standards are used to protect all GIZ employees from any violation of their rights**.
 - **Reporting human rights violations:** The Management Board transferred responsibility for handling cases involving the human rights complaints mechanism from the Sustainability Office to the Compliance and Integrity Unit as of 2021. The objective is to ensure **uniform internal case management** (here: human rights violations) within GIZ. The Sustainability Office continues to hold responsibility for compliance issues.

- **Professionalisation of case management:** The management of compliance and integrity cases has become even more professional thanks to the evolving **standardised case management system**, which aims to ensure procedural soundness and transparency. Furthermore, the unit has drawn up **quality standards for case management** with binding deadlines and clearly defined roles. These have been published within the company along with various guidelines (e.g. communicating with whistleblowers). In addition, the – previously separate – processing of compliance and integrity cases has been merged with joint reporting as of reporting year 2021 (see Section 3.1.2).
- In the **system of responsibilities for compliance issues**, the responsibilities for the whistleblower system and for the internal control system (ICS) were reassigned in 2021. The Compliance and Integrity Unit is now responsible for both.
- **Tax Compliance Management System (TCMS):** The TCMS is a sub-area of the CMS whose purpose is to ensure complete and timely compliance with tax obligations. The goal is compliance with all relevant tax laws and tax obligations, such as the timely and proper submission of advance returns and tax declarations.

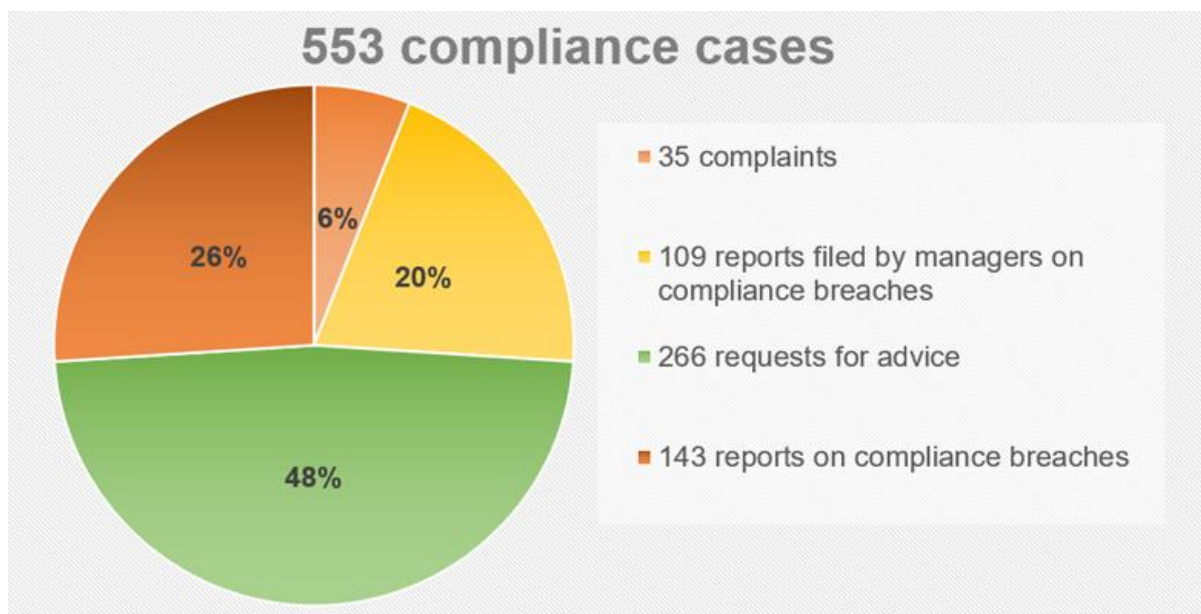
In 2020 and 2021, a detailed risk control matrix was prepared for corporate taxes, with a focus on regulations from value added tax law, corporate tax law, trade tax law and the fiscal code.

In 2021, a readiness check of the TCMS was then performed by KPMG. The resulting recommendation to establish tax guidelines, including guidelines on what bodies should be involved, is being taken up as a measure for ensuring the effectiveness of the TCMS.

3.1.2. Handling of compliance and integrity cases in 2021

This year's first combined report on compliance and integrity cases covers all processes related to criminal law, GIZ's core regulatory framework Processes and Rules and the Code of Conduct, as well as general requests for advice or complaints.

In the reporting period the Compliance and Integrity Unit thus handled 553 cases (2020: 331).



The increase in the overall number of cases compared to the previous year can also be partly attributed to the introduction in October 2020 of mandatory reporting by managers of serious compliance violations and to the transfer of responsibility for the grievance desk for all complaints under the German General Act on Equal Treatment (AGG) to the Compliance and Integrity Unit, meaning that these cases are now also included in the unit's statistics.

The cases break down as follows:

- Not relevant for investigation:
 - A total of 266 **requests for advice** were received (2020: 186). In terms of content, these related primarily to the avoidance of conflicts of interest, questions relating to gifts and other advantages, as well as questions on interpreting P+R rules.
 - In addition, 35 **complaints cases** were not relevant for investigation. These involved cases that were not based on compliance violations (e.g. general complaints about the situation in the partner country, non-selection in GIZ recruiting).
- Relevant for investigation:
 - A total of 143 **reports** (2020: 123) of possible breaches and irregularities were submitted by internal and external sources via GIZ's reporting channels. Most of the whistleblowing reports related to conflicts of interest, fraud or corruption-relevant incidents involving GIZ staff or business partners and other infringements of GIZ's rules and procedures. GIZ's online whistleblower system was used 123 times in 2021.
 - In the reporting year, **managers reported** 109 alleged or proven breaches and irregularities to the unit. These primarily involved fraud relating to expenses and invoicing committed by GIZ staff, fraudulent misuse of funds on the part of recipients of funding, and theft of GIZ property. A comparison of the number of reports with the multiannual average of internal and external reports shows relatively good rate of acceptance of [P+R Rule 554](#) on the part of the managers. One-off individual enquiries regarding responses to parliamentary questions and the follow-up of notifications through country reporting contributed to the total.

Of the 252 reports received in 2021 that were relevant for investigation, it was possible to close 173 cases. Of these, evidence of **compliance breaches was established** in 54 cases. Appropriate steps were taken and/or remedial action introduced (e.g. disciplinary measures, terminating business relationships, tightening up control processes and raising awareness among internal and external personnel involved in those processes).

In 2021, the **ombudsperson** was contacted by 5 whistleblowers (2020: 10). These reports mainly related to the incorrect accounting of project funds and manipulation in contract award processes.

3.1.3. Compliance training

Since November 2020, two web-based training courses (WBTs) have been introduced worldwide based on the compliance risk analysis and aligned with current compliance requirements. According to the Code of Conduct and [P+R Rule 552](#), all members of the workforce are required to take the **new Basic Compliance Module** (which takes about four hours to complete). On top of this, all management personnel are required to take the **new Compliance Module for Managers** (which takes about one hour to complete). Staff must re-take the WBTs every three years. Managers are responsible for ensuring that the training is completed. To this end, they have access to a monitoring function on the AIZ learning platform

(learning-giz) that they can view at any time and that provides information on the current participation status of the staff for whom they have disciplinary responsibility.

Both WBTs are **mandatory components of the onboarding programme for all new staff** and must be completed by them within their first 100 days at work.

The **responsibility of managers to lead and set an example in the areas of compliance and integrity** is also one element of the **self-learning Digital HR Module for Managers**.

In the context of the **compliance management process in the field structure**

- the Compliance and Integrity Unit carried out **consultations** for several countries, in particular those with high and very high compliance risks;
- the unit updated and expanded the supporting documents for implementing the process to prepare for the corporate objective on compliance management.

3.1.4. Compliance reporting

To help the **Management Board and Supervisory Board** monitor the CMS, the Compliance and Integrity Unit provides an **update on the CMS** to the Management Board each year and to the Supervisory Board every two years. An abridged version of the Management Board report is also published on the intranet and internet. It omits in particular the risks from the risk control matrix, as this is confidential information.

The unit provides input with a focus on the compliance management system and/or on GIZ's anti-corruption measures

- at irregular intervals for the printed version of GIZ's Integrated Company Report and on a regular basis for the online version of the Integrated Company Report;
- for GIZ's German Sustainability Code (GSC) reporting;
- for GIZ's progress reports to the UN Global Compact;
- for GIZ's annual report to the Federal Ministry of the Interior for the German Government's Integrity Report;
- on the implementation status of the recommendations of the OECD Working Group on Bribery outside Germany.

The unit also coordinates the preparation of GIZ's annual reports published on the GIZ website and the company's provident fund, GIZ Unterstützungskasse, on the German Public Corporate Governance Code (PCGK).

3.1.5. Other Compliance and Integrity Unit activities in 2021

The unit regularly participates in dialogue events, in particular on anti-corruption, for example in connection with its membership of Transparency International.

In the reporting year 2021, which continued to be dominated by the COVID-19 pandemic, no further external activities took place.

3.2. Monitoring and improving compliance

Monitoring adequacy and effectiveness is a central element of a functioning CMS, making it possible to identify vulnerabilities in the CMS, derive measures and hence **improve the system continuously**. This requires **good management tools**.

The adequacy and effectiveness of the elements of the CMS are reviewed on an ongoing basis. A number of sources are used to identify **necessary adjustments to the CMS**, in particular the ICS system, the compliance risk control matrix, the Compliance and Integrity Unit's plan of operations and the perusal of reporting across the company.

The unit produces a **monitoring plan** each year on this **basis**. The plan provides an overview of the content, nature and status of the unit's annual and recurring activities each year. These measures also include the regular updating and optimisation of the compliance risk control matrix. In addition to the monitoring measures, a description is provided of the CMS' primary fields of activity as well as their impact (if possible). The measures planned there are **implemented** as part of the current **compliance programme**. The unit documents the monitoring of the results within the framework of the **CMS documentation**.

As part of compliance reporting, the monitoring plan was submitted to the Compliance Committee at its meeting in November 2021. The measures primarily covered **four fields of activity: compliance risks, compliance programme, compliance communication and monitoring compliance**. They focused on detection and prevention of compliance risks and thus correspond to the core responsibilities of the compliance cycle (prevention, detection and consistent action). All measures planned for 2021 have been fully implemented and appropriate progress was made with the implementation of measures planned to cover a period of several years. Outstanding activities have been incorporated into the 2022 plan of operations and monitoring plan.

4. GIZ's internal control system (ICS): implementation status

The legal necessity to establish an ICS derives from the Management Board's due diligence obligations and the Supervisory Board's monitoring duties. Situated below the Management Board level, GIZ's ICS is based on the three lines model in accordance with international standards. The ICS is an **integral part of corporate governance and company workflows**, and plays a **key role in identifying, evaluating, managing and monitoring the material risks** to which GIZ is exposed.

GIZ's internal control system (ICS) has met our requirements so far. However, transparency and accountability requirements are becoming ever stricter and clients, commissioning parties and third-party donors, too, have a growing set of expectations for GIZ in terms of the way the ICS is structured for the company as a whole.

To specifically refine GIZ's ICS and prepare the company for growing demands, the Management Board took the decision to assign **overarching thematic responsibility for ICS** at GIZ to the Compliance and Integrity Unit. Staff was hired for positions for this ICS governance function in early 2021. The main ICS-relevant responsibilities include a systematic and structured inventory and documenting the current ICS, creating and updating an ICS manual (in cooperation with and close consultation with the operational units), reviewing mainstreaming in GIZ's internal rules (P+R), as well as establishing regular reporting on ICS to the Management Board. The ICS function is a knowledge holder and point of contact for basic matters relating to ICS, both inside and outside GIZ.

In line with the Management Board's decision, a systematic inventory of GIZ's ICS was performed in 2021 with the support of an auditing company and the draft of a generic description

of GIZ's ICS was prepared in accordance with Auditing Standard 982 of the Institute of Public Auditors in Germany (IDW AuS 982).

To meet the requirements of IDW AuS 982, six components must be implemented and documented in an ICS description:



The following results have been achieved to date with regard to these six key ICS components:

- **Control environment, culture and organisation:** The control environment sets the framework within which the rules and regulations are introduced and applied. This comprises all standards, processes and structures that form the basis for implementing internal control throughout the organisation (including organisational structure, Processes and Rules (P+R), mainstreaming and application of the ICS organisational principles in P+R, GIZ Corporate Principles, Code of Conduct and Code of Ethics).

It is characterised by tone from the top and shaped by the employees' basic attitudes, awareness of issues and conduct.

- **ICS objectives:** The ICS is mainstreamed in the Corporate Strategy as a governance element. Accordingly, the ICS objectives are based on GIZ's objectives.

These give rise to the following ICS objectives for GIZ: Correct and proper use of public funds, correct and efficient implementation of business processes, clear and reliable (internal and external) financial reporting, compliance with pertinent laws, ordinances and regulations.

- **Risk assessment and scope:** The ICS at GIZ focuses on commercial and administrative processes in order to safeguard the proper use of funds, reliable financial reporting and compliance with ICS-related legislation and regulations.

In order to achieve the defined objectives, GIZ pursues a risk-based approach (see Section 2 above).

- **Processes and control activities:** Control activities comprise management and control measures that manage the identified and assessed risks and thus aim to ensure that the ICS objectives are achieved.

The ICS methodology was developed in 2021, with a view to drawing up process descriptions for the ICS-related processes with the units involved at Head Office and in the field structure as well as identifying and evaluating the relevant process risks. The

key controls are defined accordingly. After weighing up the likelihood of occurrence, level of damage and estimated effort/cost for the controls, the control requirements are defined for each process and documented in **risk control matrices**. Together, the risk control matrices document the control activities and the framework for monitoring the ICS.

In 2021, a standard risk control matrix was developed and piloted jointly with the participating units at Head Office and selected country offices (one each for Head Office and the field structure). To this end, routine discussion and coordination took place with the End2End process management project. In addition, the ICS function communicated with LSS S4GIZ to ensure that the requirements of ICS were taken into account in S4GIZ.

- **Information and communication:** Information and communication ensure an appropriate flow of information in the internal control system.

At GIZ, this occurs via the management structure, internal information and communication activities (e.g. on changes in P+R) and through training measures. The online Basic Compliance Module, that is mandatory for all employees, addresses ICS-related topics (including EU rules on state aid, preventing money laundering and terrorist financing, corruption prevention, financing, public price law and procurement law). The training catalogue contains courses on key ICS-related topics. All employees completing the onboarding process are required to undertake basic training in commercial topics, while commercial staff are also required to take additional in-depth courses.

- **Reporting, monitoring and improvement:** Appropriate documentation of the ICS (ICS description) is the prerequisite for monitoring. Monitoring measures include process-integrated controls, whose implementation and documentation are described in the section entitled 'Processes and control activities', as well as process-independent monitoring measures implemented primarily by the Auditing Unit.

GIZ is also subject to a large number of external audits and controls that are conducted by different bodies.

The internal controls (ICs) of projects and offices is a key monitoring tool of the ICS. In 2021, the Management Board transferred overall responsibility for designing the IC, including its monitoring and evaluation, for auditing effectiveness in line with the ICS to the ICS function in the Compliance and Integrity Unit.

In order to take account of findings from external audits, internal audits and compliance cases when identifying risks and deriving recommendations for action for the ICS, the ICS function is a member of the Audit Coordination Committee and engages in structured dialogue with case management within the Compliance and Integrity Unit and the Auditing Unit.



Impressum

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Sitz der Gesellschaft
Bonn und Eschborn

Friedrich-Ebert-Allee 36 + 40
53113 Bonn, Deutschland
T +49 228 44 60-0
F +49 228 44 60-17 66

Dag-Hammarskjöld-Weg 1 - 5
65760 Eschborn, Deutschland
T +49 61 96 79-0
F +49 61 96 79-11 15

E info@giz.de
I www.giz.de

Titelgrafik:
Olivia Ockenfels, odecologne