**Fraud Prevention Plan for**

**Country Offices**

(version November 2016)



**Fraud Prevention Plan**

FAO Representation in [Country]

Month 201x

This Fraud Prevention Plan is issued by the FAO Representative and the Assistant FAOR (Administration) to all FAO personnel[[1]](#footnote-2) in [country] with a view to ensuring their full familiarity and compliance with the applicable policies, rules and regulations of the Organization regarding fraud.

The Organization’s policy on fraud is outlined in the *Policy against Fraud and other Corrupt Practices* ([Administrative Circular No. 2015/08](http://intranet.fao.org/fileadmin/user_upload/FAO_Communications/ac/AC15_08.pdf)), hereinafter Policy Against Fraud. This policy applies to all activities and operations of the Organization, whether funded by Assessed or Voluntary Contributions; administrative, technical or operational in nature; or implemented by the Organization and/or an implementing partner, including any government agency. This policy applies to all FAO personneland all contractual arrangements between the Organization and implementing partners, suppliers or other third parties for administrative, technical or operational purposes.

The Fraud Prevention Plan elaborates in further details the fraud prevention measures in such a way as to be more relevant to the functioning of FAO in [country]. By making this Fraud Prevention Plan available to the FAO personnel, the FAOR is fully committed to the “zero tolerance” approach on fraud of the Organization and, in turn, expects all personnel to comply with the fraud prevention plan.

**1. Introduction**

The Organization has adopted the following definitions of fraud and other corrupt practices:

* “**Corrupt practice**” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value, whether tangible or intangible, to improperly influence the actions of another party;
* “**Fraudulent practice**” is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;
* “**Collusive practice**” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
* “**Coercive practice**” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party; and
* “**Improper use of the Organization’s resources**” is any unauthorized, material use of property, assets, professional services or resources belonging to the Organization for private purposes.

In practice, common examples of prohibited conduct falling under this policy may include:

* the exchange of money or other favours for preferential treatment;
* presentation or use of inaccurate or false information (e.g. in requesting staff entitlements, in submitting medical claims);
* an agreement between two or more people to engage in a particular course of action for purposes of obtaining an undue benefit or gaining some financial advantage; and
* private use of the Organization’s resources that interferes with or deprives the Organization of the use of those resources.

NB: The above examples are illustrative and do not constitute an exhaustive list.

**2. Accountability of FAO Personnel**

FAO personnel are International Civil Servants and, as such, are expected to be committed to the highest standards of efficiency and integrity. By virtue of applicable regulations, rules, and policies, in particular the Policy Against Fraud and the Whistleblower Protection Policy (Administrative Circular 2011/05), all personnel are responsible for, and accountable to ensure that:

* the Organization’s resources are used in a responsible manner;
* prescribed policies and procedures are strictly adhered to; and
* any irregularities are immediately reported.

**3. Zero Tolerance Policy against Fraud**

FAO has a **zero tolerance** policy vis-à-vis fraud in all its manifestations and does not tolerate, under any circumstances, the diversion of the resources allocated to FAO for serving their ultimate purpose of ensuring humanity’s freedom from hunger. Cases of fraud, including the misappropriation of funds and unethical behaviour, are viewed very seriously, regardless of the amount involved. Strict disciplinary and administrative measures are taken against any individual found guilty of fraud, including dismissal or termination of contractual relationships.

**4. Standards of Conduct for the International Civil Service**

As stated above, FAO personnel are international civil servants, and as such are expected to be committed to the highest standards of efficiency and integrity. FAO personnel are thus required to be fully aware of and committed to the provisions of:

* [Manual Section 304, Appendix A, “Standards of Conduct for the International Civil Service](http://intranet.fao.org/faohandbook/fao_manual/chapter_iii_human_resources/304_standards_of_conduct_for_the_international_civil_service/304_appendix_a/)”,
* the procurement ethics guidance on the [No-Gifts and No-Hospitality Policy](http://intranet.fao.org/faohandbook/area/procurement_loas/procurement_ethics/)
* Manual Section [361.3](http://intranet.fao.org/faohandbook/fao_manual/chapter_iii_human_resources/361_outside_activities_remuneration/3613_acceptance_of_honours_decorations_gifts_favours_etc/) and Staff Rules [301.1.6](http://intranet.fao.org/faohandbook/fao_manual/chapter_iii_human_resources/301_staff_regulations/3011_duties_obligations_and_privileges/) and [302.1.6](http://intranet.fao.org/faohandbook/fao_manual/chapter_iii_human_resources/302_staff_rules/3021_chapter_i_duties_obligations_and_privileges/) “Acceptance of Honours, Decorations, Gifts, Favours, etc.”, and;
* Other relevant regulations, rules and policies as referenced in this Plan.

Whilst personnel should be fully familiar with these documents, particular attention is drawn to the following paragraphs of Manual Section 304, Appendix A (emphases and actual OIG cases added):.

Para 17:*“…..It is quite improper for (managers) to* ***solicit favours, gifts or loans*** *from their staff; they must act impartially, without favouritism and intimidation. In matters relating to the appointment or career of others, international civil servants should not try to influence colleagues for personal reasons.”*

Para 20: *“International civil servants have the* ***duty to report*** *any breach of the organization’s regulations and rules to the official or entity within their organizations whose responsibility it is to take appropriate action, and to cooperate with duly authorized audits and investigations. An international civil servant who reports such a breach in good faith or who cooperates with an audit or investigation has the right to be* ***protected against retaliation*** *for doing so.”*

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| **Retaliation** – In the context of an investigation into alleged procurement fraud OIG/INV received information that a supervisor had failed to report allegations of fraud in his project to either OIG or the FAO Representative and that he violated the Whistleblower Protection Policy by revealing the existence of a complaint and the identity of the complainant to the person alleged to have engaged in fraud. OIG/INV substantiated the allegations and recommended that appropriate administrative action be taken against the individual in question. The supervisor has separated from the Organization.  |

Para 23: *“****Conflicts of interest*** *may occur when an international civil servant’s personal interests interfere with the performance of his/her official duties or call into question the qualities of integrity, independence and impartiality required by the status of an international civil servant.*

*Conflicts of interest include circumstances in which international civil servants, directly or indirectly, may benefit improperly, or allow a third party to benefit improperly, from their association with their organization. Conflicts of interest can arise from an international civil servant’s personal or familial dealings with third parties, individuals, beneficiaries, or other institutions. If a conflict of interest or possible conflict of interest does arise, the conflict shall be disclosed, addressed and resolved in the best interest of the organization. Questions entailing a conflict of interest can be very sensitive and need to be treated with care”.*

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| **Procurement fraud** - OIG received a complaint indicating that a FAO Personnel had a **conflict of interest** and engaged in collusion in the context of a FAO procurement action. OIG concluded that this individual had an undisclosed conflict of interest with two companies that had been awarded contracts by the project for which he worked. It also concluded that he had colluded with one of the above-mentioned companies on at least one occasion by assisting in the drafting of their bid documents that were then submitted to FAO. OIG recommended that appropriate administrative action be taken against this individual, who was subsequently separated from service with the Organization.  |

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| **Undisclosed Conflict of Interest** – OIG/INV conducted an investigation into allegations that a senior officer in a field office had an undisclosed conflict of interest in that he used his position to promote the interests of his spouse’s private company. OIG/INV interviewed the personnel involved and conducted a company records search in the relevant national registry. OIG/INV determined that the allegations were substantiated. The individual in question has since separated from the Organization.  |

Para 24. *“International civil servants should avoid assisting third parties in their dealings with their organization where this might lead to* ***actual or perceived preferential treatment****. This is particularly important in procurement matters or when negotiating prospective employment.*

*At times, international civil servants may be required to disclose certain personal assets if this is necessary to enable their organizations to make sure that there is no conflict (of interest). They should also voluntarily disclose in advance possible conflicts of interest that arise in the course of carrying out their duties. They should perform their official duties and conduct their private affairs in a manner that preserves and enhances public confidence in their own integrity and that of their organization.”*

Specifically in FAO, all staff members at the D-1 or above level, and those directly involved in procurement and LoAs may be required to file Financial Disclosure Statements on appointment and at intervals thereafter as prescribed by the Director-General, in respect of themselves, their spouses and their dependent children.

In addition, staff members shall not be actively associated with the management of, or hold a financial interest in, any profit making, business or other concern, if it were possible for the staff member or the profit-making, business or other concern to benefit from such association or financial interest by reason of his or her position with FAO.

Para 29: *“It is entirely improper for international civil servants to* ***lobby or seek support from government representatives*** *or members of legislative organs to obtain advancement either for themselves or for others or to block or reverse unfavorable decisions regarding their status. By adhering to the Charter and the constitutions of the organizations of the United Nations system, Governments have undertaken to safeguard the independence of the international civil service; it is therefore understood that government representatives and members of legislative bodies will neither accede to such requests nor intervene in such matters. The proper method for an international civil servant to address such matters is through administrative channels; each organization is responsible for providing these.”*

Para 50: *“To protect the international civil service from any impropriety, international civil servants must not accept, without authorization from the executive head, any honour, decoration, gift, remuneration, favour or economic benefit of more than nominal value from any source external to their organizations; it is understood that this includes Governments as well as commercial firms and other entities.”* Also refer to the [No-Gifts and No Hospitality Policy](http://intranet.fao.org/faohandbook/area/procurement_loas/procurement_ethics/), Manual Section 361.3 and Staff Rules 301.1.6 and 302.1.6.

**5. Finance and Administration**

To reduce the risk of fraud or misappropriation of funds and FAO property, a system of dual control is required for all financial transactions. This includes the segregation of duties between the person who places orders and the person who disburses the payment (see Disbursement below), approval of any payment request by FAOR and the requirement of two bank signatories on cheques. Any deviations or anomalies from regular procedure should be documented in a timely manner.

**6. Procurement**

It is essential that all FAO personnel familiarize themselves with, and implement FAO’s policy on procurement. When in doubt about applicable policies or procedures, FAO personnel involved in procurement should seek guidance from their supervisor or from the Procurement Service at HQ (CSAP). The FAO Handbook has many procurement related resources.

Procurement must be carried out efficiently and effectively, in accordance with applicable rules and procedures, with a focus on “Best Value for Money”. In particular, it is important to ensure adherence with the following steps:

* The FAOR should ensure that FAO Personnel involved in procurement activities have successfully completed the online courses and are familiar with relevant guidance;
* The authorized FAO Personnel involved in procurement activities identifies the solicitation method and initiates the procurement action in compliance with [MS 502](http://intranet.fao.org/faohandbook/area/procurement_loas/);
* The authorized FAO Official will ensure that the delegated authority limits set forth in MS 502-Appendix B1 are strictly adhered to. Where necessary, increased delegation of authority is requested from CSAP;
* Deviations from the modalities set out in MS 502 are only approved on an exceptional basis by the Authorized Official with a full justification and only after *ex ante* review by the Local Procurement Committee. The Procurement Service at HQ (CSAP) will ensure that procurement actions, which are subject to the Local Procurement Committee, are reviewed and the recommendation is provided;
* Once the evaluation process is complete, the personnel involved in procurement will finalize and document the basis for award recommendation for submission to the Authorized Official for approval in accordance with the delegation of authority limits set forth in MS 502-Appendix B1;
* Upon approval of the Authorized Official, the relevant contractual instrument (contract/purchase order/work order under framework agreement) will be prepared for approval and signature by the Authorized Official prior to payment to the vendor;
* The relevant contractual instrument (contract, PO, work order) countersigned by FAO and the vendor is shared with the Requestor/AFAOR, Operations staff or other relevant staff for follow up with delivery of goods and/or provision of services;
* All transactions must be processed through the GRMS procurement module; and
* All Staff involved in the Procurement Process, including Requesters, Technically Responsible Officers, Budget Holders, Buyers, Authorized Officials and anyone else having a role in procurement must follow the requirements of MS 502. This applies particularly to MS 502.5 Procurement Ethics, which sets out rules governing the prohibited activities, avoidance of conflict of interest, obligation to disclose and Maintenance of Transparency and Accountability. In addition, those involved in a procurement process are prohibited from receiving any gratuity, gift, favour or entertainment or any promise of future employment from anyone who has supplied or is seeking to supply goods, works or services to the Organization (specified in the [No-Gifts and No-Hospitality Policy](http://intranet.fao.org/faohandbook/area/procurement_loas/procurement_ethics/)).

Members of the Local Procurement Committee, as well as personnel working on any aspect of the procurement process including drafting of technical requirements or evaluation will sign the [Declaration of No Conflict of Interest and Maintenance of Confidentiality for Personnel Involved in Procurement](http://intranet.fao.org/faohandbook/area/procurement_loas/procurement_ethics/).

**7. Letters of Agreement**

Similar restrictions apply to staff involved in the issuance of LoAs. Given the risks related to conflicts of interest and corrupt practices in connection with LoAs, a competitive selection process is an important mitigating factor. The selection should be an open process involving qualified personnel and be well documented.

The rules governing ethical behaviour with respect to LoAs are set out in MS 507.4. In particular, MS 507.4.34 provides that no staff member *“shall accept, upon leaving the employment of the Organization, whether temporarily or permanently, any kind of employment in connection with a LoA to which they were party during their employment with FAO”.*

**8. Disbursements**

To reduce the possibility of fraud, segregation of duties is essential both when using GRMS and in those cases when GRMS is not being used (field projects, etc.). Therefore, the person who places the order, the person who confirms the receipt and inspection of the goods procured/services rendered, and the person who disburses payments must all be different people. In the case of an office that does not have enough staff to ensure this segregation, the office should propose options to CSF to mitigate this risk. (Please see Manual Section 202.10 for guidance related to Internal Controls).

Disbursement involves the following procedures:

* requests for payments received are to be verified by the Administrative/Finance Assistant for accuracy and validity of supporting documents;
* payment should not be processed until the invoice is raised and matched to the PO and the confirmation on the receipt (and inspection) of the goods procured and/or services rendered has been submitted confirmed by from the requestor of the goods/services. This also applies to the implementation of LoAs and the need to verify project implementation before payment is made.
* This process is completed in GRMS;
* GRMS compares the invoice against PO and the commitment and confirms that no payment has already been made;
* if an invoice is unmatched, the Budget Holder ensures that no duplicate payment has already been made.
* advances for operational purposes are properly recorded, managed and timely cleared by Operations and Administration. Advances exceeding the CSF authorized ceiling of USD 10,000 are approved by CSF. Multiple advances to the same payee are avoided or justified.
* the Administrative Assistant or other individual prepares the voucher for payment attaching the original invoice and submitting to the two signatories for approval. The original invoice must be marked as paid along with details of payment instrument (e.g. cheque number/petty cash voucher number, etc.);
* dual authority is required for all payment methods including EFT, cheque or bank transfer; and
* all transactions (commitment, payment, receipts) are strictly processed through the corporate system, GRMS, and are charged to appropriate activity and account codes.

**9. Asset Management**

All assets are official property of the Organization, and the FAO personnel are accountable for their proper use and for ensuring their use is for official purposes. The following procedures are implemented to reduce the possibility of fraud and misuse of physical assets. Manual Section 503 refers.

* FAO personnel are required to complete a Property Loan Form to accept responsibility for FAO property issued to them for dedicated use; e.g., laptops;
* Assets must be recorded in the relevant module of the corporate system (GRMS), giving details of asset type, serial number, tag number, user name and location, status of the asset, value of the asset, etc.;
* Surplus assets must be disposed of in accordance with MS 503.8. Assets may never be sold directly to personnel or their relatives without benefit of a sealed bid auction;
* All transactions must be reflected in GRMS assets management module on time;
* FAOR should ensure that there is periodic (annual) physical verification of the assets,; and
* Usage of the Organization’s assets for personal use must be limited and should have the prior approval of the FAOR. Costs for personal use must be reimbursed by the personnel.

**10. Vehicles**

* Official vehicles must be used only for official purposes, unless in exceptional circumstances prior approval of the FAOR has been provided;
* Vehicle log books must be carried in the vehicle at all times and kept up-to-date, and must certified by the AFAOR/Administration and data should be inserted regularly (on a monthly basis) in COIN;
* Fuel should be purchased duty free at the gas stations with the facility of automated billing system to the extent possible. In case fuel coupons are used, they must be stored in a safe place and a stock register must be maintained showing delivery issuances and running balance; and
* Vehicles may never be loaned to or used by a third party without a fully-executed Vehicle Loan Agreement cleared by CSF and LEGA and only when necessary to deliver FAO services;

**11. Petty Cash Management**

* Petty cash accounts (local currency) can be established at the FAOR level with the local currency equivalent of USD 500 and a maximum per transaction limit of USD 50 equivalent in local currency (with the official UN Rate of the month being applied at the time of payment) (MS 202.10.3.13). Increases to these amounts require CSF approval;
* When necessary, some offices may have Outposted Petty Cash accounts. The amounts vary, but are generally much higher than Petty Cash Accounts. CSF approval is required to open an Outposted Petty Cash account;
* Petty Cash ceilings for offices are established based on the needs of the office and are reflected in GRMS;
* Petty cash payments must be recorded in a register and any payment must be supported with appropriate documentation (supplier invoice/voucher); and
* FAOR and/or responsible administrative staff must conduct a periodic verification of petty cash transactions.

**12. CIO/Information Technology Resources**

Authorized users are responsible for using the Organization’s IT resources in a lawful and ethical manner. No employee is authorized to copy for his/her personal use, any IT software or any other confidential information or publications of the Organization, without prior approval of the FAOR. When using the Organization’s IT resources, authorized users should conduct themselves in accordance with the Standards of Conduct for the International Civil Service. See AC No. 2008/26.

**13. Entitlements/HR Management**

FAO staff members and other personnel employed by the Organization are required to comply with the applicable regulations, rules and policies to avoid any misuse of their entitlements accorded with their employment with the Organization. This specifically includes:

* all annual, sick and special leave of staff members must be approved in advance by a supervisor and recorded in GRMS. In the case of some NSHR categories, the supervisor is required to track the attendance and certify the timesheet correspondingly;
* any absence from the office must be approved by the immediate supervisor and properly recorded. This includes all personnel regardless of contract type;
* Travel Expense Claims (TEC) must be properly prepared and submitted with legitimate claims for terminals and other expenses, including receipts as appropriate;
* medical expense claims for submission to Allianz, must be made in good faith and should not involve any misrepresentation of the amounts or medical services claimed, or of any related information. This includes the prohibition on collusion with medical doctors or medical institutions and requirement that submitted documentation be authentic and accurate; and
* FAO staff members are strictly required to comply with the applicable rules, regulations, and policies as to their entitlements on settling-in grant (including the grant to family members), annual leave, home leave and family travel, education grant and education travel, rental subsidy, Special Post Allowance (if applicable), household shipment, etc. Staff members who submit their entitlement claims must do so in good faith, and must ensure that that the information and documentation provided is accurate, authentic and correct.

**14. Disciplinary and Administrative Measures**

All personnel employed by FAO are reminded that the Organization adopts a zero-tolerance approach to fraud and that any breach of the Organization’s rules, regulations and policies regarding fraud will result in administrative or disciplinary action, including dismissal or contract termination.

**15. Reporting**

Reporting is an important element for a functioning Anti-Fraud and Corrupt Practices Policy and, as mentioned above, is the obligation of all personnel.

OIG has been designated to receive complaints or information concerning the possible existence of fraudulent or other corrupt practices. These may be received by OIG through official channels when referred by the Organization’s management.

In addition, a dedicated and confidential **Investigations Hotline** has been set up in OIG for receiving complaints and information from FAO personnel and third party entities and individuals, which can be directly accessed worldwide in different ways:

Telephone (+ 39) 06 570 52333

Fax (+39) 06 570 55550

Email Investigations-Hotline@fao.org

Complainants can choose to remain anonymous if they so wish.

More information concerning OIG investigations and applicable procedures is available at www.fao.org/aud

**16. Confidentiality**

All personnel involved in an investigation, including the complainants, subjects of investigation and witnesses, benefit from the confidentiality provisions contained in the *Guidelines for Internal Administrative Investigations by the Office of the Inspector General*. In addition, all personnel have an obligation to keep the information relating to, or arising from, an investigation confidential, in accordance with these guidelines and relevant Organization’s rules.

**17. Whistle-blower Protection Policy**

The Organization has a Whistle-blower Protection Policy set forth in Administrative Circular [AC2011/05](http://intranet.fao.org/fileadmin/user_upload/FAO_Communications/ac/Ac11_05.pdf) providing protection against retaliation to those making good faith reports of concerns of unsatisfactory conduct. The objective of this policy is to encourage FAO personnel to speak up about misconduct by protecting personnel who report fraud, other corrupt practices or any other type of breach of the Organization’s rules and regulations and to enable the Organization to identify and prevent fraud and other corrupt practices. Any personnel acting as a complainant or witnesses of potential fraud or other corrupt practice who makes a report in good faith has the right to be protected against retaliation, reprisals and sanctions. OIG investigates instances brought to its attention of retaliation or attempted retaliation against complainants or witnesses acting in good faith.

**18. Circulars/provisions**

Included in [A/C 2015/08, The Policy Against Fraud and Other Corrupt Practices](http://intranet.fao.org/fileadmin/user_upload/FAO_Communications/ac/AC15_08.pdf) are a series of administrative circulars, manual sections and other guidelines related to the policy

**19. Red Flags**

Red flags, when combined with other factors, might indicate the existence of fraud. Being aware of these alerts and paying closer attention to the situation could help identify possible risks.

**Documentation and approval issues:**

* Improperly documented deviations from standard procedures
* Clearance requests during the absence of usual authorized officer
* Lack of segregation of duties
* Alteration of documents or records
* Extensive use of correction fluid
* Photocopies of documents, in place of originals
* “Rubber stamp” signatures
* Missing approvals
* Failure to properly document actions

**Behavioral Red Flags:**

* Last minute, urgent requests on a regular basis
* Not willing to share duties or information
* Unusually close contacts with vendor/supplier
* Unusual, irrational or inconsistent behaviour, irritability
* Emails sent at unusual times, with unnecessary attachments or to unusual destinations
* Discrepancy between earnings and lifestyle, living beyond means
* Financial difficulties
* Refusal to take vacations
* Addiction problems
* Unscrupulous behaviour
* Complaints about inadequate pay

**Communication/information received:**

* Anonymous emails/letters/telephone calls
* Customer complaints

**Accounting issues:**

* Inventory adjustments
* Accounts that do not reconcile and excuses made for non-reconciling accounts

**CERTIFICATION**

*This is to certify that I have received the Fraud Prevention Plan and understand the Organization’s zero tolerance policy against fraud.*

Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. FAO personnel considered in this Fraud Prevention Plan include *inter alia* all staff members, regardless of their contractual arrangements, as well as non-staff human resources such as consultants, subscribers to Personal Services Agreements, Volunteers, Interns, National Project Personnel and any other type of personnel recruited for services in the Organization. [↑](#footnote-ref-2)