UNDP Policy on Fraud and other Corrupt Practices

Title	UNDP policy on fraud and other corrupt practices ("UNDP Anti-fraud policy")
Document Language	English (French, Spanish)
Source Language	English
Responsible Unit	Bureau of Management, Office of Audit and Investigation (OAI), Ethics Office
Creator (individual)	Bureau of Management, Office of Audit and Investigation (OAI), Ethics Office
Contributor	Bureau of Management, Office of Audit and Investigation (OAI), Ethics Office
Business Process	
Subject (Taxonomy)	
Date approved	March 2011 (as approved by Operations Group)
Audience	UNDP personnel and implementing partners
Applicability	Applies to all activities and operations of UNDP and UNDP-funded programmes or projects
Replaces	UNDP Fraud Policy statement, August 2005
Is part of	Results Management and Accountability in POPP
Conforms to	United Nations Convention Against Corruption (UNCAC) and the United Nations Convention Against Transnational Organized Crime (UNTOC).
Related documents	Procurement Fraud and Corrupt Practices;the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct; the UN Staff Regulations and Rules; UNDP Accountability System; Enterprise Risk Management Framework; Internal Control Framework and Operational Guide; UNDP Financial Disclosure Policy; UNDP Policy on Protection against Retaliation; and OAI Investigation Guidelines.
Mandatory Review	September 2013

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1. Introduction

Any fraud in UNDP's operations depletes funds and other resources intended for supporting UNDP's mission. Thus, as in other organizations, fraud can undermine its effective functioning and divert scarce and valuable resources from its mission. Moreover, fraudulent and corrupt behaviour can seriously damage UNDP's reputation and diminish donors' trust in its ability to deliver results in an accountable and transparent manner.

All UNDP personnel are the stewards of the public and private resources entrusted to the organization. Hence, they are accountable for their proper, effective and efficient use for achieving the intended outcomes of UNDP's programmes and projects.

The UNDP policy on fraud and other corrupt practices (the UNDP Anti-fraud Policy) is an important part of UNDP's corporate governance, establishing the framework for preventing, identifying, reporting and effectively dealing with fraud and other forms of corruption. It is in line with the UNDP Accountability System, adopted by the Executive Board to support ethical values and standards, increase transparency and proper stewardship of resources, as well as to clarify and align all relevant activities. An important part of this System is the Institutional Oversight Arrangement which is the general process of monitoring, evaluating, reporting, auditing, and investigating alleged fraud. These activities aim to ensure organizational, financial, and operational accountability, effectiveness of internal controls, prevention, detection and investigation of fraud and malpractice, and the promotion of organizational integrity.

The Anti-fraud Policy also recognizes the role of UNDP in the efforts spearheaded by the United Nations to combat fraud and corruption, globally. It, therefore, reflects the principles underlying the United Nations Convention Against Corruption (UNCAC) and the United Nations Convention Against Transnational Organized Crime (UNTOC).

2. Scope and application

UNDP is committed to preventing, identifying and addressing all acts of fraud against UNDP, whether committed by UNDP staff members or other personnel or by third parties. UNDP has zero tolerance for fraud, meaning that all incidents of fraud are to be reported and will be investigated in accordance with established investigation guidelines. To this effect, UNDP is committed to raising awareness of fraud risks, implementing controls aimed at preventing fraud, and establishing and maintaining procedures applicable to the detection of fraud and the enforcement of this Policy.

This Policy applies to all activities and operations of UNDP, including any project funded by UNDP, any project implemented by UNDP, and any implementing partner. The Policy aims to prevent and detect fraud: i)involving UNDP staff members and its personnel, including but not limited to consultants, service contract holders (SCs), individual contractors (ICs) , interns, and United Nations volunteers (UNVs); and ii) perpetrated against UNDP by contractors, suppliers of goods and services, implementing partners, or other third parties.

This Policy should be read in conjunction with the Procurement Fraud and Corrupt Practices located in POPP, the UNDP Legal Framework for Addressing Non-Compliance with UN Standards and the UN Staff Regulations and Rules.

3. Definition of fraud

The definition of fraud varies among countries and jurisdictions. But in simple terms, fraud is any act or omission that intentionally misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation. Corrupt practices are generally understood as the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party. In this Policy, fraud is defined in a broader sense and includes, but is not limited to, theft, embezzlement, forgery and corrupt practices.

Examples of fraud include the following, which is not an exhaustive list:

- Forging documents, preparing false entries in UNDP systems or making false statements to obtain a financial or other benefit to which a person is not entitled;
- Offering or receiving something of value to improperly influence a procurement process;
- Asking for or receiving money for providing information to a vendor in the procurement of goods and services;
- Asking for or receiving personal reward or other private gain in return for showing favor to a candidate in a recruitment process;
- The misuse or theft of a password for the unauthorized access to IT systems;
- Collusion or other anti-competitive scheme between suppliers during a tender process;
- Stealing or misappropriating UNDP assets.

4. Fraud prevention measures

4.1 Fraud awareness communication and training

To ensure that managers and staff members are aware of their responsibilities regarding preventing fraud and corruption, a plan for communication, dissemination and awareness-building of this Policy is critical to ensure its integration into UNDP's processes and procedures.

In this regard, business units should reiterate the duty of all staff members to report acts of fraud and other corruption, as required by Staff Regulations and Rules.

Fraud communication and awareness programmes may involve:
- References to the Anti-fraud policy in public information material, online resources, information and guidelines available through the intranet and UNDP's external webpage;
- Training and education components on how to comply with the Policy in relevant training programmes with an emphasis on induction material.

4.2 Management of the risk of fraud and corruption

The risk of fraud shall be managed in accordance with the Enterprise Risk Management framework. Managers – in consultation with all staff members, other personnel and, where appropriate, third parties engaged in UNDP operations and UNDP funded programmes– should identify and assess the risk of fraud in their programme or project areas. Such an assessment should, first, include systematically identifying areas most susceptible to potential fraud and developing appropriate strategies such as internal controls, assurance procedures, programme checks or transparency measures. Then business units should develop or re-engineer business processes or IT configurations to better prevent and detect fraud as well as escalate risks to relevant stakeholders. They may consult HQs offices with relevant expertise such as the Bureau of Management (BoM) or the Office of Audit and Investigation (OAI) in developing such processes or reconfiguring such systems. In addition, managers of business units should be vigilant in monitoring for irregularities and encourage staff to report them.

4.3 Internal control system

Where managers have identified and assessed the risk of fraud within their regular risk assessment, they should develop appropriate measures to minimize the risk of it occurring through the application of controls. This may involve applying controls additional to those specified within the latest UNDP Internal Control Framework and Operational Guide, which outlines the minimum internal control standards that must be observed, as well as consulting with appropriate units in BoM or OAI.

4.4 Preventing conflicts of interest

A 'conflict of interest' occurs when a staff member's private interests -- such as outside professional relationships or personal financial assets -- interfere with the proper performance of his or her duties as a UNDP official. A conflict of interest can be: *Actual* (private interests interfere with official responsibilities), *Apparent* (there may be a reasonable perception that private interests interfere with official responsibilities),

or *Potential* (private interests *may* interfere with official responsibilities). As international civil servants, it is important to preserve the independence and impartiality of staff members' official decision-making at all times. Conflict situations do not necessarily imply corruption, wrongdoing or inappropriate activities. However, if they are not identified and managed appropriately, such situations can compromise (or be perceived as compromising) professional integrity or flag a potential fraud situation. Staff members should avoid situations where they seem to benefit, directly or indirectly, or allow a third party to inappropriately benefit from the decisions they make.

Staff members having fiduciary responsibilities -- as managers or procurement or investment professionals -- are required to formally disclose private interests through the annual financial disclosure exercise. The objective of UNDP's Financial Disclosure Policy (FDP) is to identify, manage, reduce or eliminate the risk of conflicts of interest arising from the financial holdings or outside activities of staff members, spouses and dependent children. In doing so, FDP not only protects UNDP's reputation but also that of the staff members designated to file. Identified interests may include investments or outside positions that may create or seem to create a conflict of interest. Such a disclosure will enable the Ethics Office to advise staff members on steps to appropriately manage risks through recusals, transfers of duties, divestment, or placement of assets at arm's-length. For more information, see the Ethics Office's brochure on Financial Disclosure.

4.5 Integrity as a key criterion in selection procedures

The UN Charter identifies integrity as a paramount consideration in the selection of staff members. It is important to recognize integrity as a key component, in its own right, of the recruitment and promotion of UNDP staff members. Therefore, placing emphasis on integrity as a selection criterion will enable those involved in selection processes to reflect the principles enshrined in the Charter as well as to prevent fraud and other corrupt practices. Recruiting managers should ensure that specific interview assessment tools for integrity, background, and academic checks are employed. Additionally, they should exercise due diligence in ensuring that job candidates are aware of and declare any family or spousal relationships, as required by UNDP's Policy on the Recruitment of Family Members. Similarly high standards also apply to the selection of other UNDP personnel.

4.6 Standards or code of conduct

UNDP's staff members must be guided by standards of conduct that are prescribed in the UN Charter, the Staff Regulations and Rules, and the 2001 ICSC Standards of Conduct for the International Civil Service. These standards have been summarized in ST/SGB/2002 /13 and a user-friendly guide: Putting Ethics to Work. The procedures for enforcing these standards are indicated in the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct. All staff members are required to observe these standards and seek advice from offices such as the Ethics Office, Office of Human Resources (OHR/BoM) or the Office of the Ombudsman and Mediation Service (UNOMS) and the Office of Staff Legal Assistance (OSLA),when in doubt. Managers must ensure that all staff members take the mandatory online Ethics Training and that inductees do so within three-months of their arrival. They should also encourage staff members to take periodic refresher ethics training such as the face-to-face workshops or other related trainings such as the online legal course "UNDP Legal Framework: What Each Staff Member Needs to Know" (available in the Learning Management System (LMS)). The observance of such standards of conduct not only prevents fraud but encourages staff members to aspire to the highest standards of professional behavior. Similarly high standards of conduct are expected of other UNDP personnel as outlined in the Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission (ST/SGB/2002/9).

5. Roles and responsibilities

All UNDP staff members and personnel have critical roles and responsibilities in ensuring that fraud is prevented, detected and dealt with promptly. They should not only safeguard resources entrusted to UNDP for supporting sustainable human development but also protect its reputation. Working together, they contribute to a coherent and complementary institutional framework for effectively enforcing their obligations and cultivating an

organizational culture that does not tolerate fraud, malfeasance and other forms of corruption. Accordingly, the following parties are accountable for the following activities:

5.1 The Administrator

As the custodian of UNDP's Anti-fraud Policy, the Administrator or a designate approves the Policy and its subsequent revisions.

5.2 Managers

Managers should act as role models and are required to take active steps to prevent and detect fraud, misappropriation and other irregularities through compliance with relevant corporate policies and procedures. They are expected to implement appropriate controls to prevent fraud, in particular:

- Identify the potential fraud risks to which their assets, programmes, activities, and interests are exposed;
- Assess the identified risk, select risk-avoidance options, design and implement cost effective prevention, mitigation and control measures;
- Establish/implement measures to prevent the recurrence of fraud.

Managers who fail to take appropriate action or tolerate or condone fraudulent activity will be held accountable.

5.3 Individual staff members

Each staff member must realize that fraud, whatever its extent and form, is contrary to the standards of conduct expected of international civil servants.

Fraud constitutes serious misconduct for which a staff member may be summarily dismissed (see Staff Regulation 10.2). Other personnel may also be terminated where involvement in fraud is established. In addition, the evidence may be referred to national authorities for criminal prosecution of those involved. Staff members have the obligation to complete mandatory UNDP training on ethics and conduct related issues, and to keep themselves abreast of new policies.

5.4 Contractors

Individual independent contractors, as well as employees of companies doing business with UNDP are obligated not only to interact honestly in the provision of services for UNDP but also to report allegations of fraud to UNDP. Upon proof that contractors have engaged in fraud or theft that has caused a financial loss to the organization, UNDP will seek restitution for any such loss. UNDP may also report appropriate cases to national authorities for investigation and criminal prosecution.

5.5 Office of Audit and Investigations

OAI will consider fraud and corruption red flags and risk factors in audit planning and reporting, consistent with applicable auditing standards. OAI will also provide 'lessons learned' from audits and investigations as relevant to the further development of UNDP's risk management framework.

6. Reporting fraud

Staff members and other personnel have the obligation to report information pointing to fraud involving UNDP staff members or affecting UNDP funds and assets. Other persons having such information are strongly encouraged to report incidences.

UNDP has put in place a telephone 'Hotline' and other measures to ensure that persons wishing to report fraud may do so, free of charge, using a number of different options.

The Investigations Hotline, managed by an independent service provider on behalf of OAI to protect confidentiality, can be directly accessed worldwide in different ways:

Online at http://www.undp.org/hotline
Reversed charges: **+1-770-776-5678**, worldwide (Interpreters available 24 hours/day):
Calling **1-877-557-8685**, within the USA
Fax at **+1-770-409-5008**, worldwide
Alternatively, complaints can be sent directly to OAI at hotline@undp.org

Regular mail addressed to:
Deputy Director (Investigations)
Office of Audit and Investigations (OAI)
United Nations Development Programme
220 East 42nd Street, Floor 23
New York, NY 10017
USA

6.1 Details that should be included in a report of fraud

In order for investigations to be successful, complaints should be as specific as possible. To the extent possible, they should include details such as:
- The type of alleged wrongdoing;
- Where and when these events occurred;
- Who is involved and who has knowledge about the matters being reported;
- How the individual, organization or company committed the alleged wrongdoing;
- Why the matter is being reported.

Further, information or evidence (for example, documents) that are important for a proper assessment should be included with the report or sent as soon as possible.

6.2 Confidentiality

All investigations are undertaken by OAI on a confidential basis and investigation participants (witnesses and subjects) are reminded of the need for confidentiality in the course of the investigation. Investigation reports and specific details of investigations are shared on a strictly 'need to know' basis.   Requests for confidentiality by persons making a complaint will be honored to the extent possible within the legitimate needs of the investigation.

6.3 Anonymous reports

Individuals wishing to protect their identity may report fraud anonymously. For anonymous reports, a report number and code are used to allow the individual making a complaint to follow up for a response and to check if the assessing officer has requested further information.

However, it can be more difficult to assess and investigate anonymous allegations. Therefore, individuals wishing to make a report are encouraged to provide their contact details. OAI will treat information received sensitively, and will limit disclosure of identifying information of the reporting individual to the maximum degree possible. This can be discussed on a case-specific basis with OAI investigators at the time of reporting.

6.4 Protection against retaliation for reporting ("Whistleblower" protection)

The UNDP has a Policy for Protection against Retaliation or a "whistleblower protection" policy. Full details are provided through the Ethics Office web-site on Protection against Retaliation.

The objective of UNDP's Protection against Retaliation Policy is to enable the organization to identify and prevent fraud and other corrupt practices as well as to function in a transparent and accountable manner. It accomplishes this objective by affording protection for staff members who report fraud or other corrupt practices, or who cooperate with a duly authorized audit or investigation.

If a staff member has reported allegations of wrongdoing or cooperated with a duly authorized audit or investigation and, as a result, has been retaliated against, he or she is entitled to protection. See also Ethics Office's brochure on Protection against Retaliation for Reporting Misconduct).

Service contract and individual contract holders, volunteers or interns in UNDP have recourse in accordance with the provisions of their contracts.

7. Investigation of allegations

All allegations of fraud are reviewed by the OAI. In addition, OAI may undertake proactive investigations in high risk areas that are susceptible to fraud and corruption. OAI will often request further information to enable a proper assessment. Where a matter is appropriate for an OAI investigation, the case will be assigned to an investigator who will conduct an objective investigation of all available facts. This will include the collection and review of all relevant documents, interviews of people who can provide information, and an interview with those alleged to be involved in fraud. OAI also coordinates with other fraud investigation and enforcement offices, as appropriate, to ensure the effective investigation of fraud involving more than one organization, or where parties external to UNDP are allegedly involved.

For more specific details of how matters are investigated by the Office of Audit and Investigation, please refer to the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct and the OAI Investigation Guidelines.

8. Action based on investigations

The investigation may result in one or more of the following outcomes:
   a) A referral to the Legal Support Office (LSO/BoM) for consideration of a disciplinary action against staff members;
   b) A referral to other offices in UNDP (for example, the Procurement Support Office (PSO/BoM), the Country Office, or the Office of Human Resources (OHR/BoM)) for other necessary action;
   c) A referral to the appropriate national law enforcement or prosecutorial agency for criminal investigation;
   d) Recovery of funds and assets;
   e) Debarring vendors from doing business with UNDP.

9. Reporting to the Executive Board

Reporting is an important element in communication and awareness of the UNDP's Anti-fraud Policy, as well as deterrence. The Administrator's Annual Report on Disciplinary Cases sets out the disciplinary measures taken in cases of fraudulent or corrupt behaviour. The report on internal audit and investigations of the OAI to the Executive Board, prepared annually, contains information on fraud investigations conducted during the reporting period. In addition, reports of cases of alleged and proven fraud are currently reflected in the biennium Financial Report and Audited Financial Statements of the United Nations Development Programme.

10. Complementary resources

UNDP specific resources:
- UNDP Accountability System
- Enterprise Risk Management Framework
- UNDP Legal Framework for Addressing Non-Compliance with UN Standards
- UNDP Financial Regulations and Rules
- Internal Control Framework and Operational Guide
- Procurement Fraud and Corrupt Practices

- UNDP's Financial Disclosure Policy
- UNDP's Policy on the Protection against Retaliation
- Online Reporting of Fraud and Other Wrongdoing
- OAI Investigation Guidelines

Relevant offices:

- Office of Audit and Investigations (OAI)
- Legal Support Office (LSO/BOM)
- Ethics Office

UN system wide documents:

- UN Staff Regulations and Staff Rules;
- Status, basic rights and duties of United Nations staff members
- Standards of Conduct for the International Civil Service (ICIS)
- Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission