

Fraud and corruption prevention and control policy

of the International Federation of
Red Cross and Red Crescent Societies

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Approved By:

The Secretary General of the International Federation of Red Cross and Red Crescent Societies, after consultation with the Finance Commission of the International Federation of Red Cross and Red Crescent Societies.

Shared with the Governing Board of the International Federation of Red Cross and Red Crescent societies for information on [...]

Associated Policies and Documents:

IFRC Financial Regulations

IFRC Integrity Policy

IFRC Recruitment Procedures and Induction Program

IFRC Staff Regulations and annexes

IFRC Code of Conduct

IFRC Disciplinary Measures

IFRC Cash Transfer Regulation

Procurement Manual for the Procurement of Good and Services

Standards for Investigations for the Risk Management and Audit Department

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FRAUD AND CORRUPTION PREVENTION AND CONTROL POLICY

PREAMBLE

This Fraud and Corruption Prevention and Control Policy (the "Policy") outlines the International Federation's approach to the prevention and control of fraud and corruption, including the investigation procedures that will be followed if there are suspicions of fraudulent or corrupt practices. If fraud or corruption is proven, appropriate disciplinary measures and legal action will be taken.

The assets of the International Federation of Red Cross and Red Crescent Societies (the "International Federation") are its staff, (including staff-on-loan and individuals working under the International Federation's name and legal status, as well as its consultants, volunteers and interns (collectively the "Personnel")), its reputation and the resources provided by donors.

The International Federation is committed to high ethical standards, transparency and accountability to all internal and external stakeholders including the Red Cross Red Crescent National Societies (the "Members"), Personnel, beneficiaries, donors, cooperating partners, contractors or suppliers.

The International Federation, in accordance with best risk management practice, acknowledges that strong internal prevention mechanisms and controls at all managerial levels and locations in the organisation, including headquarters and field, are the best methods for preventing fraud and corruption. The differing risk environments in which the International Federation operates must be taken into consideration. In some environments the level of risk may be higher and thus require more rigorous prevention mechanisms and controls than in other environments.

The International Federation is committed to preventing and dealing swiftly and appropriately with fraud and corruption perpetrated by its Personnel and perpetrated against the International Federation by cooperating partners, contractors or suppliers and any collusive practices among such any parties.

The International Federation recognises that fraud and corruption prevention and control is not a separate function and needs to be incorporated into all aspects of the International Federation's activities. Accordingly, the International Federation will ensure that there are elements of fraud and corruption prevention and control in all relevant policies, procedures and systems.

All International Federation's Members, Personnel, cooperating partners, contractors or suppliers are responsible for fraud and corruption prevention and control will be made aware of this policy. Adherence will be ensured as applicable.

SECTION 1. DEFINITION OF FRAUD AND CORRUPTION

Fraud and Corruption are defined as follows:

Fraud: Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

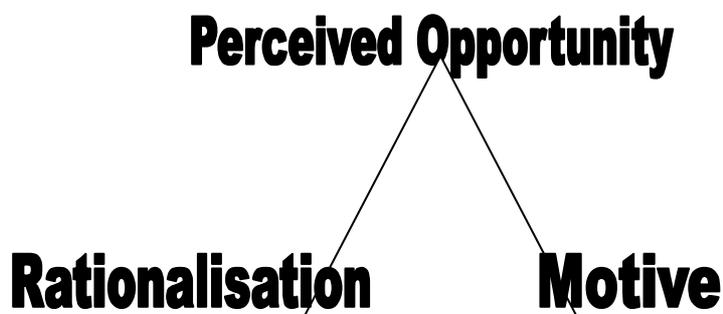
Corruption: Corruption is the abuse of entrusted power for private gain, including bribery.

Fraud and Corruption do not necessarily imply immediate financial benefits for the individual(s)

committing fraud or corruption, but may cause financial or reputational damages to the International Federation. States consider such offenses to be criminal and/or violations of civil law.

SECTION 2. ELEMENTS OF FRAUD AND CORRUPTION

In cases of fraud and corruption there are generally three elements which individually can be addressed to prevent the act:



Perceived Opportunity: often a gap in controls, an opportunity that fraud or corruption can be perpetrated without the person committing the fraud and corruption being caught, exposed and/or action taken against them.

Perceived Opportunity can be addressed by implementation of controls such as securing money in safe, performing reconciliations, having clear disciplinary measures that are enforced, obtaining proper authorisation and the like.

Removing the perceived opportunity has been proven to be the most effective way to reduce fraud and corruption.

Motive: the reason why the person is committing the act of fraud and/or corruption.

These could vary widely and can include financial pressures, financial problems, gambling problems, maintaining a lifestyle, vengeance against the organisation, emotional problems, and the like.

Motive can be addressed through measures such as employee support programmes, open door policies, and treating and compensating employees fairly.

Rationalisation: is the justification of the act of fraud or corruption.

Rationalisation is not to be confused with the difference between right or wrong. In fact, the perpetrator often knows that it is wrong, but will think the act justified for one reason or another. These can include thoughts that no one will really get hurt, that they are just getting what they are owed, that everyone does it, that is for a good cause, or that money is just being “borrowed”.

Rationalisation can be addressed through actions such as raising awareness of the Code of Conduct and the negative impacts of fraud and corruption on the organisation and beneficiaries, Prevention of fraud and corruption training, regular performance appraisals, and simply treating employees

fairly.

Through this policy the organisation seeks to ensure that it addresses all three of these elements in its policies and procedures.

As further assistance in the identification and prevention of fraudulent or corrupt acts:

Appendix 1 provides a non exhaustive list of potential fraudulent and corrupt practices.

Appendix 2 provides a non exhaustive list of indicators which may flag the potential exposure to fraudulent and corrupt practices.

Appendix 3 provides a selection of good management practices that may assist in limiting fraud and corruption exposure.

SECTION 3. SCOPE OF POLICY

This Policy applies to all Personnel. It compliments the IFRC Code of Conduct and all Personnel shall adhere to it.

All cooperating partners, contractors and suppliers will be made aware of this Policy, its applicability to be established in the relevant contracting instruments.

All Members will be made aware of this Document. If the International Federation is informed of potential fraudulent or corrupt practices involving a Member, the International Federation will ensure that the National Society is made aware of such allegations. Should such potential fraud or corruption also implicate International Federation Personnel or resources it is expected that the Member will fully cooperate with any investigations commissioned by the International Federation in this regard. Otherwise in line with the Federation's Integrity Policy, it is expected that Members will take the necessary actions to handle any allegations concerning themselves.

SECTION 4. ROLES AND RESPONSIBILITIES IN FRAUD AND CORRUPTION PREVENTION AND CONTROL

The following stakeholders are responsible for the implementation of internal and external prevention mechanisms and controls to prevent and detect fraudulent and corrupt practices in accordance with this Policy.

4.1 INTERNAL CONTROL

Secretary General and his/her global senior management team

The Secretary General and his/her global senior management team (the "Designees") will ensure the overall dissemination, implementation and adherence to this Policy.

Personnel

All Personnel of the International Federation will:

- Comply with this policy and
- Understand the exposure to fraud and corruption in their area; and
- Take appropriate measures to detect and report any suspicions of fraudulent and corrupt practices through the appropriate channels as set out in the IFRC's Code of Conduct and herein.

Personnel who fail to report any suspicions of fraudulent and corrupt practices, may be held accountable as directly or indirectly tolerating or condoning improper activity.

Managers

All managers will ensure there are processes in place within their area of control to:

- Identify and assess potential risks of fraud and corruption;
- Reduce and prevent the risk of fraud and corruption;
- Promote Personnel's awareness of adherence to this Policy;
- Ensure the dissemination of this Policy to contractors or suppliers and ensure its incorporation as necessary into any contractual instruments with such parties.

Managers who fail to take appropriate action or who directly or indirectly tolerate or condone improper activity may themselves be held accountable.

Human Resources Department

The Head of Human Resources will ensure that fraud and corruption prevention and control is incorporated in key human resource activities including:

- Recruitment and selection processes for Personnel, including the use of criminal background checks if necessary; verification of facts and documentation supporting applications for employment and volunteer placement; verification of employment history with the International Federation at headquarters and field level and with Members; and reference checks;
- Induction programme for new Personnel; and
- Personnel's development and training programs.

The Head of Human Resources with the support of the International Federation's Legal Counsel will advise the Secretary General and his/her Designees to ensure that suspected allegations of fraud and corruption are fully investigated and sanctioned, and that such investigation procedures and disciplinary actions are fair, equitable and in accordance with the legal obligations of the organization.

Finance Department

The Head of the Finance Department will assist the Secretary General and his/her Designees in relation to:

- Improvement of fraud and corruption prevention mechanisms and internal controls; and
- The provision of advice on fraud and corruption prevention and control.

Global Logistics Service

The Head of Global Logistics Service will ensure that key elements of fraud and corruption prevention and control are incorporated in its undertakings including:

- Obtaining accurate information on the business profile of the contractor or supplier;
- Exercising due diligence in verifying that any contractors or suppliers have not engaged in, and is not engaging in, any fraudulent and corrupt practices;
- Promptly reporting any practices that is, or is reasonably suspected of being, contrary to this Policy; and
- Immediately ceasing any dealings with any party who is acting in a manner contradictory to this Policy.

The Head of Global Logistics Service, with the support of the International Federation's Legal Counsel, will ensure that contractual agreements with contractors and suppliers of goods and services prohibit fraudulent and corrupt practices with reference to this Policy.

Risk Management and Audit Department

The Head of the Risk Management and Audit Department will serve the Secretary General and his/her Designees by assessing the adequacy and effectiveness of internal controls and reports on omissions, weaknesses or deficiencies in order to facilitate corrective action. Reports from the Risk Management and Audit Department shall be considered by the Secretary General and his/her Designees to determine what action, if any, should be taken.

Insurance Unit

The Insurance Unit will ensure that key elements of fraud and corruption prevention and control are incorporated in its undertakings including:

- Advising and obtaining proper coverage against fraud;
- Filing any related claims upon the agreement of the Insurance Management Committee; and
- Reporting back on progress of any claims filed.

Legal Department

The Legal Counsel will:

- Provide advice to the Secretary General, his/her Designees and the Head of Human Resources to ensure that suspected allegations of fraud and corruption are fully investigated and that such investigation procedures and disciplinary actions are fair, equitable and in accordance with the rules and regulations of the organization; and
- Support the Head of Global logistics Service, Head of Human Resources Department, Secretary General and other managers to ensure that this Policy is incorporated as necessary in the contractual instruments of the International Federation.

Finance Commission and Audit and Risk Committee

In accordance with Article 29 of the Constitution of the International Federation, the Finance Commission, with the support and advice of the Audit and Risk Committee, will ensure general

oversight for the implementation and adherence to this Policy.

4.2 EXTERNAL CONTROL

External Auditors

Pursuant to the International Federation's Financial Regulations, the external auditor will provide external oversight for the International Federation.

While the external auditor is not responsible for detecting fraud, if any cases of fraud are detected in the course of their audit work they shall to report it to the Secretary General and/or his/her Designees.

Cooperating Partners, Contractors and Suppliers

Any cooperating partners, contractors or suppliers will be required through contractual instruments to:

- Allow access to specified records concerning the International Federation; and
- Represent that it has not, and shall not, engage in, any fraudulent or corrupt practices.

SECTION 5. HANDLING OF ALLEGATIONS

The handling of any allegations of fraud or corruption including investigations and any eventual disciplinary measures and/or pressing of civil or criminal charges shall be in accordance with the Standards for Investigation for the Risk Management and Audit Department and the International Federation's Sdisciplinary Measures, its Staff Regulations and this Policy.

Reporting of Fraudulent or Corrupt Practices

As per the IFRC's Code of Code and Staff Regulations, Personnel who have knowledge of an occurrence of fraud or corruption, or has reason to suspect that a fraudulent or corrupt act has occurred, have a duty to promptly report any reasonable allegations through the channels identified therein. Personnel are reminded that a confidential service, currently managed by "Safecall", is also at their disposal to report any suspected fraudulent or corrupt activities.

The International Federation will use its best efforts to ensure that Members, cooperating partners, contractors and suppliers report allegations of fraud and corruption to their contact person at the International Federation.

Proven abuse of the process by raising knowingly false, vexatious or malicious allegations will be regarded as a serious breach of the IFRC's Code of Conduct, and may also result in disciplinary measures or legal action.

Confidentiality of Information and Identity Protection

Members, Personnel, cooperating partners, contractors and suppliers who reported in good faith suspicions of fraud or corruption shall not discuss the matter with anyone other than the person to whom the report is made, unless it was not addressed to the right person in the first place or, as

otherwise directed.

The International Federation will take all appropriate measures to ensure that information reported remains confidential and is only disclosed to authorized individuals and investigators.

The International Federation will protect the identity of those reporting in good faith any suspicions of fraud and corruption and take appropriate measures to protect them from retaliation. In case of a reasonable fear of adverse reaction from the person whom they reasonably suspect as having committed a fraud or a superior, reports may be made anonymously. In situations whereby the person reporting the incident is needed to provide evidence, that person identity should only be revealed with his/her consent or if required by law.

Security of Data

To ensure that all documentation relating to an alleged fraud or corruption is available for review in its original form immediate action to prevent the theft, alteration, or destruction of all such documentation will be taken. Such actions may include, but are not necessarily limited to:

- Removing the documentation, computers, hard disks and any electronic data storage media from its current location and securing it in another location;
- Limiting access to the location where the documentation, computers, hard disks and any electronic data storage media currently exists;
- Preventing the individual suspected of committing the fraudulent or corrupt act from having access to the documentation, computers, hard disks and any electronic data storage media pending the investigation; and
- Obtaining urgent advice from a suitably qualified internal or external expert in connection with the handling of electronic documentation or media.

Investigation

The International Federation will promptly and efficiently investigate suspected instances of fraud and corruption in accordance with the Standards for Investigations for the Risk Management and Audit Department and / or the International Federation's Disciplinary Measures, the Staff Regulations and this Policy.

Any investigation pursuant to this Policy will be conducted impartially, fairly and thoroughly.

Whistle Blowing Protection

Where there is proof of fraud or corruption, appropriate disciplinary action will be taken against Personnel in accordance with the IFRC's Code of Conduct and Staff Regulations.

The International Federation has a zero tolerance policy to any form of retaliation against a person who either reports reasonably-held suspicions of fraud or corruption, or who cooperates in any such investigation.

Deterring anyone from reporting suspicions of fraud or corruption or witnessing such acts in an investigation is a serious breach of the IFRC's Code of Conduct and may result in disciplinary measures.

Recovery Measures

The International Federation may seek to recover any losses resulting from fraudulent or corrupt activity using all means at its disposal, including civil or criminal legal action. In case of fraudulent or corrupt practices by cooperating partners, contractors or suppliers appropriate recovery measures will be taken in accordance with this Policy and the relevant contractual arrangements.

SECTION 6. MONITORING

Monitoring and Evaluation

Following any proven incident of fraud or corruption, the Secretary General and his/her Designees, with the assistance of the Head of Risk Management and Audit, will conduct a review of relevant policies, procedures and internal controls in the area where the fraud or corruption occurred to assess whether these need to be revised and what, if any necessary corrective measures need to be undertaken.

SECTION 7. EXTERNAL COMMUNICATIONS

Communication and Coordination with External Parties

The International Federation will share with external parties best practices on fraud and corruption prevention and control and information when necessary to address specific situations. Personnel shall however refrain from sharing any information related to allegations of fraud or corruption, including to Members, to unauthorized individuals and refer any request for information to their supervisor.

Communication and Media Strategy

No public statement or comment in relation to an alleged fraudulent or corrupt practice may be made to the media except by the International Federation's specifically appointed authorised representative.

APPENDIX 1

Examples of potential fraudulent or corrupt practices

This list is not exhaustive and not all instances will upon investigation be proven to be fraud or corruption but may indicate an area where changed work practices are necessary:

- theft of supplies and equipment
- improper use of an International Federation's credit card
- improper use of International Federation's official stamp
- use of monies identified for specific programme activities for unrelated programmes
- a false or excessive claim for expenses or allowance
- payment of salary or wages to a fictitious employee
- false work attendance record or timesheet
- submission of false sick leave document signed by a doctor
- not recording leave taken or the false classification of leave
- unauthorised payments to or transactions with related parties
- acceptance of offers, receiving or offering kickbacks or bribes for a preferential treatment
- payment for work not performed
- making or use of forged credentials and endorsements
- altering amounts and details on documents
 - collusive bidding;
 - overcharging;
- writing off recoverable assets or debts
- unauthorised transactions
- selling information
- altering donations, stocks and assets records
- cheques made out to false persons
- including false persons on the payroll
- unrecorded transactions
- transactions (expenditure/receipts/ deposits) recorded for incorrect sums
- cash borrowed without authorization or stolen
- supplies or equipment stolen or borrowed without authority
- substituting new goods for old
- manipulation of the procurement process, including undisclosed conflict of interest
- not recording donations wholly or partially
- make or use false official identification, including false email identification
- damaging or destroying documentation
- not disclosing all documentation
- using copies of records and receipts
- false invoicing, including using imaging and desktop publishing technology to produce apparent original invoices charging incorrect accounts in order to misappropriate funds
- deliberately delaying terminations from payroll
- running a private business with official assets
- using facsimile signatures
- false compensation and insurance claims

- stealing of discounts
- selling waste and scrap
- inappropriate or unapproved use of computer generated signatures
- downloading of confidential information and/or source codes and forwarding this to an unauthorised party
- presentation of false documentation or statements about personal past experience, education or certificates / diploma
- inappropriate use of assets for personal purpose
- use of information for personal gain or advantage
- management override of an internal control



APPENDIX 2

Indicators which may flag the potential exposure to fraudulent and corrupt practices

This list is not exhaustive and not all indicators will upon investigation be proven to be fraud or corruption but may indicate an area where changed work practices are necessary:

- missing expenditure vouchers and unavailable official records
- atmosphere of crisis & pressure
- deteriorating financial results
- excessive variations to budgets or contracts
- refusals to produce files, minutes or other records
- transferring amounts between accounts frequently
- related party transactions
- increased employee absences
- borrowing from fellow employees
- an easily-led personality
- covering up inefficiencies
- no supervision
- staff turnover is excessive
- figures, trends or results which do not accord with expectations
- bank reconciliations are not maintained or can't be balanced
- excessive movement of cash funds
- multiple cash collection points
- remote locations with minimal management control or monitoring unauthorised changes to systems or work practices
- employees with non declared conflicting interests, including outside business interests, or other jobs
- large outstanding bad or doubtful debts
- employees suffering financial hardships
- placing undated/post dated personal cheques in petty cash
- employees apparently living excessively beyond their means
- heavy gambling habits
- signs of drinking or drug abuse problems
- lowest tenders or quotes passed over with scant explanations recorded
- employees in finance or financial roles who rarely take leave or are reluctant to delegate responsibilities when on leave or away from the office
- supplier's regular presence in our office premises
- cash payments or claims not supported by originals receipts / invoices or certified copies

APPENDIX 3

Selection of good management practices that may assist in limiting fraud and corruption exposure

- all income is promptly entered in the accounting records with the immediate endorsement of all cheques / receipt of funds
- controls operate which ensure that errors and irregularities become apparent during the processing of accounting information
- a strong internal audit presence
- management encourages and recognises sound working practices
- all assets are properly recorded and provision is made for known or expected losses
- accounting instructions and financial regulations are available to all staff and are kept up to date;
- effective segregation of duties exists, particularly in financial, accounting and cash/securities handling areas
- close relatives do not work together or under the authority of one another, particularly in financial, accounting and cash/securities handling areas;
- creation of a climate to promote ethical behaviours
- act immediately on internal/external auditor's report to rectify control weaknesses
- do not accept any signed documentation containing a correction that obliterates the original entry (eg do not accept expenditure form that contains white-out)
- all amendments to official documentation should be initialled
- set standards of conduct for suppliers and contractors
- maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems
- review large and unusual payments
- query mutilation of cheque stubs or cancelled cheques
- store cheque stubs in numerical order
- undertake test checks and institute confirmation procedures
- maintain good physical security of all premises
- randomly change security locks (if feasible and economical)
- conduct regular staff appraisals
- review work practices open to collusion or manipulation
- develop and routinely review and retest data processing controls
- regularly review accounting and administrative controls
- set achievable targets, budgets, and stringently review results
- ensure staff take regular leave
- ensure all expenditure is authorised
- issue accounts payable promptly and follow up any non-payments
- conduct periodic analytical reviews to highlight variations to norms
- ensure staff are fully aware of their rights and obligations in all matters connected with fraud
- thoroughly check with Human Resources references and past experience of selected applicants and copies of certificates / diploma
- update and well organised filing system, including of contracts
- strong procurement policy requiring more than one quote
- all consumables, including gas, are properly recorded
- declaration of conflict of interest