

Prevention and detection of fraud

Introduction

1. All officials of the International Training Centre of the ILO (the Centre) are expected to have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties. Officials are required at all times to act honestly and with integrity, and to safeguard the resources of the Centre.
2. The Centre is committed to preventing fraud and dishonesty, and to actively promoting an anti-fraud culture. The Centre has zero tolerance of fraud and dishonesty. Every case of fraud, presumption of fraud or attempted fraud (hereinafter referred to as "fraud") or dishonesty will be thoroughly investigated and dealt with appropriately.
3. This policy is part of the Centre's strategy to prevent and investigate fraud and dishonesty. It clarifies the role of the Committee on Accountability. It is concerned with acts of fraud and dishonesty committed against the Centre by officials, external collaborators, contractors, or suppliers of goods and services.
4. Issues arising from the private and personal activities of officials are covered by the Standards of Conduct for the International Civil Service, the Staff Regulations and relevant circulars.
5. This circular supersedes and replaces DIR Circular No. 05/2008 entitled *Prevention and Detection of Fraud at the Centre*, dated 29 October, 2008. It takes into account amendments to the Financial Rules introduced in 2013.
6. This circular is effective from its date of issue.

Definition of fraud

7. The term "fraud" is used in this circular to describe acts such as deception, bribery, forgery, extortion, theft, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Fraud involves a violation of trust. For practical purposes, fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.
 8. Examples of fraud are:
 - theft, misappropriation or misuse of the Centre's assets for personal benefit or the benefit of a third party;
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- bribery and corruption – offering, giving, soliciting or accepting an undue advantage or reward that may influence the actions taken by the Centre or its officials, for example in the procurement of goods and services or recruitment;
 - false accounting and/or making fraudulent statements with a view to:
 - (a) obtaining personal gain or gain for another, for example falsely claiming overtime, medical expenses, travel or subsistence, sick leave or special leave;
 - (b) materially misrepresenting performance or delivery;
 - forgery or alteration of a cheque, bank draft, invoice or other financial document with a view to misappropriation of the Centre funds;
 - misuse, misappropriation or inappropriate reassignment of passwords governing financial transactions, authorities and approvals with a view to misappropriation of the Centre funds; and/or
 - externally perpetrated fraud against the Centre, for example in the procurement and delivery of goods and services.

Framework for fraud prevention and detection

9. The Staff Regulations and the Standards of Conduct for the International Civil Service (ICSC) govern the conduct of officials. All officials shall conduct themselves at all times in a manner consistent with their status as international civil servants and in strict compliance with the provisions of Circular No. DIR 04/2008 entitled *Ethics at the Centre* and Circular No. DIR 06/2008 entitled *Register of Financial Interests*.
10. The circular on *Ethics at the Centre* has provisions on whistleblowing that enable staff to report concerns about an official without fear of victimization, whilst protecting alleged offenders from malicious or vexatious allegations. The circular on the *Register of Financial Interests* provides clear guidance on situations concerning conflicts of interest.
11. The ***Financial Regulations and Rules*** provide the framework within which the Centre manages its finances and safeguards its assets. Financial Rule XIII describes the accountability mechanisms. Any case of fraud, presumption of fraud or attempted fraud, must be reported to the Director through the Treasurer and the Internal Auditor.
12. Officials who, as a result of fraud or other misconduct or serious negligence, cause any kind of financial or other loss to the Centre may, without prejudice to the application of the Staff Regulations, be required to reimburse such loss, either partially or in full, irrespective of whether the loss is covered by insurance or not.
13. The ***Committee on Accountability*** examines cases referred to it by the Director or the Treasurer of fraud, presumption of fraud and attempted fraud, of dishonesty, negligence or disregard of established procedures or directives which resulted, or could have resulted, in financial or other loss to the Centre or damage to its property. The Committee establishes the facts, determines responsibility for the loss, if any, makes recommendations about reimbursement, where applicable, and, finally, reports to the unit responsible for disciplinary matters. The Committee also examines cases of persistent failure on the part of an official to respect the Financial Rules and procedures or the recommendations of the External Auditors or the Internal Auditors which have been accepted by the Centre.
14. The Committee is composed of a Chairperson nominated by the Director, a representative of the Human Resources Services and a representative of the ILO. The Committee may request the attendance of representatives from other units or services, on an ad-hoc basis, in order to facilitate its work and/or provide technical advice deemed necessary.

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15. The **Committee on Risk Management** periodically reviews the Centre's exposure to operational risks and the effectiveness of the controls and procedures in place to manage such risks. The exposure to the risk of fraud is included in the risk assessment at the organizational level. The Committee is appointed by the Director and includes the Deputy Director, the Director of Training, the Treasurer and Chief of Financial Services, the Chief of Human Resources Services, the Chief Information Officer, the Chief of Administrative Services and the Facilities Officer. The Committee is chaired by the Treasurer and Chief of Financial Services.
 16. Full details of cases of fraud, presumption of fraud or attempted fraud shall be submitted to the **External Auditors** with the related accounts. It is the responsibility of the External Auditors to undertake, every year, a planned programme of work which includes a review of the arrangements to prevent and detect fraud and corruption. Their observations and recommendations are submitted to the Board.
 17. The **Internal Audit Office** of the ILO reviews control systems across the Centre. The reviews provide assurance of the effectiveness of internal controls, and alert the management to system weaknesses in order that corrective action can be taken to minimize risks. Advice on risk management and control improvements is also provided.
 18. **Purchasing actions, the award of contracts and contract management** are governed by specific rules and procedures which are intended to deter and detect fraud. They cover basic principles, responsibilities and informal and formal competitive bidding requirements for purchase, disposal and partnership arrangements, and waivers of contract procedure rules.

Anti-fraud culture

19. The Centre is committed to ensuring that opportunities for committing acts of fraud or dishonesty are reduced to the lowest possible level. To achieve this, an anti-fraud culture and measures will be promoted including:
 - ensuring good governance and ethical behaviour by all officials;
 - providing managers and officials with training and briefings on the Financial Rules and on good financial practices;
 - developing and maintaining effective controls to prevent fraud;
 - ensuring that, if fraud or dishonesty occurs, a vigorous and prompt investigation takes place without regard to position held, length of service or relationship to the Centre and the ILO or to particular officials within them;
 - taking appropriate disciplinary action in all cases and, where appropriate, legal action, including waiving of immunity to prosecution in criminal courts;
 - reviewing systems and procedures to prevent similar cases of fraud or dishonesty.

Reporting fraud

20. Officials are required to report any case of fraud, presumption of fraud or attempted fraud to the Director through the Treasurer and the Internal Auditor. An official, or a person bringing the alleged case of fraud to the attention of the Director, who acts in compliance with this policy and in good faith shall not:
 - be dismissed or threatened with dismissal;
 - be disciplined, suspended or threatened with disciplinary action or suspension;
 - be penalized or suffer any other form of retribution;

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- be intimidated or coerced;

to any extent because the person has reported an incident or participated in an investigation. Any action taken against an official who has acted in accordance with the requirements of this policy shall result in disciplinary action, up to and including summary dismissal.

21. Should an official believe that any of the consequences described in paragraph 20 above have occurred, the matter may be referred to the Ethics Officer.
22. All matters will be dealt with in confidence. If an allegation is made in good faith but is not confirmed by the investigation, no action shall be taken against the originator.
23. When individuals make malicious or vexatious allegations, disciplinary action may be considered against the individual making the allegation.

Responsibilities

24. The Treasurer is responsible to the Director for establishing and maintaining a sound system of internal control that supports the achievement of the Centre's aims and policies. The system of internal control is designed to deal with the financial risks faced by the Centre.
25. The Treasurer shall refer to the Committee on Accountability cases of fraud, presumption of fraud and attempted fraud, as well as dishonesty, negligence or disregard of established rules and/or procedures which resulted, or could have resulted, in financial or other loss to the Centre or damage to its property.
26. The Chief Internal Auditor of the ILO is responsible for investigation of financial or administrative misconduct and other irregular activities.
27. Day-to-day responsibility for the prevention and detection of fraud, corruption and other inappropriate conduct rests with managers for the areas under their responsibility.
28. Officials to whom authority has been delegated for the use of the Centre's resources are responsible for ensuring compliance with established procedures and acting prudently and ethically to provide reasonable assurance of the prevention and detection of fraud and other irregularities. Particular attention must be paid to the protection of passwords, financial documents and any other authorizing instrument.

Guidelines for project risk assessment

29. An official responsible for managing a project should demonstrate reasonable efforts to assess and consider all the potential risks raised by a project. The aim is to gather enough information to enable management to make an informed decision on whether there is anything that needs to be considered or agreed upon before a project is approved or implemented.
30. In assessing risks, the following approach should be adopted:
 - categorize and list the key risks associated with the project;
 - state the probability of each of the key risks occurring (high/medium/low);
 - state the level of impact on the project and/or the Centre if the risk materializes;
 - list the indicators that will be used to monitor the key risks;

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- briefly summarize the control mechanisms that will be used to control and manage the key risks;
 - taking into account the probability and impact of the risk and the possible control mechanisms to be put in place, state an overall risk level (high/medium/low) for the key risks.
31. It is important to consider the strength of both risk indicators and the control mechanisms. A robust system of indicating a risk is a useful tool, but if the risk cannot be significantly reduced through control mechanisms, then the probability and the impact of the risk need to be used in isolation to assess the overall risk.
32. The official responsible for managing a project should ensure that all the staff involved in its various phases:
- act with propriety in the use of official resources and the handling and use of public funds, whether they are involved with cash or payment systems, receipts or dealing with suppliers;
 - report poor procedures or lack of effective supervision;
 - remain alert to the possibility that unusual events or transactions could be opportunities for, or indicators of, fraud;
 - immediately report details through the appropriate channels described above if they suspect that a fraud has been committed or see any suspicious acts or events;
 - inform the management of any outside interest which might impinge on the discharge of duties.

Final provisions

33. This policy will be reviewed periodically. Officials requiring further information and clarifications on this policy, and/or wish to suggest improvements, should contact the Treasurer, the Chief of HRS or the Ethics Officer.

Patricia O'Donovan
Director