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# Fraud and Corruption Prevention and Control Policy

19 September 2012

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**Approved by:** The Secretary General of the Inter-Parliamentary Union (hereinafter referred to as "the IPU"), after consultation with the Staff Association, the Sub-Committee on Finance, and endorsed by the Executive Committee.

**Associated Policies and Documents:**

- IPU Financial Regulations
- Code of Conduct for IPU Personnel
- IPU Staff Rules and Regulations

## Definitions

**Fraud:** The act of intentionally deceiving someone in order to gain an unfair or illegal advantage (financial, political or other).

**Corruption:** The act of giving or obtaining an advantage through the abuse of entrusted power by means which are illegitimate, immoral, and/or inconsistent with one's duty or the rights of others.

Fraud and corruption do not necessarily imply immediate financial benefits for the individual(s) involved, but may cause financial or reputational damage to the IPU.

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

Annex 2 provides a non-exhaustive list of indicators that may flag potential exposure to fraudulent and corrupt practices.

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

These annexes are provided to assist the IPU and its personnel in identifying fraudulent or corrupt practices so that the necessary preventive or corrective steps can be taken.

**Personnel:** For the purposes of the present Policy, "IPU personnel" includes IPU staff members (Geneva- and New York-based) and interns, international and local consultants as well as experts on mission, secondees and external collaborators.

## Preamble

The IPU is committed to high ethical standards, transparency and accountability to all internal and external stakeholders, including its Member Parliaments, personnel, beneficiaries, donors and cooperating partners. The IPU has a zero tolerance policy for fraud and corruption practices.

The IPU, in accordance with best practice risk management, acknowledges that strong internal prevention mechanisms and controls at all managerial levels and locations in the Organization are the best means to prevent fraud and corruption.

The IPU is committed to preventing and dealing promptly and appropriately with fraud and corruption committed by its personnel.

The IPU recognizes that fraud and corruption prevention and control are not separate functions and need to be incorporated into all aspects of the IPU's operations. Accordingly, the IPU will ensure that there are elements of fraud and corruption prevention and control in administrative, risk management and other systems.

This Fraud and Corruption Prevention and Control Policy (hereinafter referred to as "the Policy") outlines the IPU's approach to the prevention and control of fraud and corruption, including the investigation procedures to be followed if there are reasonable suspicions of fraud and/or corruption. If fraud or corruption is proven, appropriate disciplinary action will be taken.

All IPU personnel and Member Parliaments shall be made aware of the present Policy.

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## Section 1. Scope

1. The present Policy applies to any fraudulent or corrupt practices involving IPU personnel. All IPU personnel shall acknowledge having received, read and understood the present Policy, together with the Code of Conduct for IPU Personnel, and undertake to abide by its terms.

## Section 2. Roles and responsibilities in fraud and corruption prevention and control

2. The following stakeholders shall be responsible for implementing both internal and external prevention mechanisms and controls to identify, assess, reduce and prevent fraudulent and corrupt practices in accordance with this Policy.

### Section 2.1 Internal Control

#### A. The Secretary General

3. The Secretary General shall be responsible for the overall implementation of and compliance with this Policy.

#### B. Personnel

4. All IPU personnel shall be responsible for complying with good management practices, understanding the exposure to fraud and corruption in their area, and detecting and reporting any suspicions of fraudulent and corrupt practices through the appropriate channels as set out in Section 3 of this policy and Section 4 of the Code of Conduct for IPU Personnel.
5. Personnel who fail to report any knowledge of fraudulent and corrupt practices may be held accountable for directly or indirectly tolerating or condoning improper action, which may result in the imposition of disciplinary measures in accordance with Staff Regulation 10.2 and Article 101.3 of the IPU Staff Rules.

### **C. Directors and Managers**

6. All directors and managers shall be responsible for preventing and detecting fraud and corruption and shall, therefore, ensure that 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; and
  - Promote awareness among IPU personnel of the importance of complying with the Code of Conduct for IPU Personnel and this Policy.
7. Managers who knowingly fail to take appropriate action or who directly or indirectly tolerate or condone improper action may themselves be held accountable, which may result in the imposition of disciplinary measures in accordance with Staff Regulation 10.2 and Article 101.3 of the IPU's Staff Rules.
8. The Director of Support Services shall ensure that the present Policy is disseminated among IPU personnel.

### **D. Director of Support Services**

9. The Director of Support Services shall ensure that fraud and corruption prevention and control mechanisms are incorporated into key human resources activities, including:
  - Recruitment and selection processes for staff members;
  - Induction programmes for new staff members; and
  - Development and training programmes for staff members.
10. The Director of Support Services shall also be responsible for providing advice and assistance to the Secretary General to ensure that allegations of fraud and/or corruption are fully investigated and sanctions are duly applied where necessary. The Director of Support Services shall ensure that such investigation procedures and disciplinary actions are conducted in accordance with due process.
11. In addition, the Director of Support Services shall be responsible for assisting the Secretary General with the improvement of internal controls and fraud and corruption prevention measures, as well as for providing advice and expertise to the Secretary General on the appropriate measures to be taken in order to prevent and control fraud and corruption. (See [Annex 3](#) for a selection of good management practices.)

### **E. Internal Auditors**

12. The Internal Auditors shall be notified of and shall be given access to review any material cases of fraud or corruption and recommend improvements to the internal control system.

## **Section 2.2 External control**

### **A. External Auditors**

13. With a view to preventing and controlling fraud and corruption, the IPU shall call upon the External Auditors to assess the risk of fraud and/or corruption to strengthen the present Policy. Pursuant to Rule 13 of the IPU's Financial Regulations, the External Auditors provide external oversight of the IPU. While the External Auditors are not responsible for detecting fraud, should any case of fraud be detected in the course of their audit work, they shall report it to the Secretary General.

### **Section 3. Investigation procedure**

#### **A. Reporting of Fraudulent or Corrupt Practices**

14. In accordance with the Code of Conduct for IPU Personnel, personnel who have knowledge of an occurrence of fraud or corruption, or who have good reason to suspect that a fraudulent or corrupt act has occurred, have a duty to promptly report any reasonable suspicions through the following channels.
15. **All reports and allegations of breaches of the present Policy or of the Code of Conduct should be made to:**
  - The individual's direct line-manager; or
  - The Director of Support Services; or
  - The Secretary General.
16. Any person who reports reasonably-held suspicions of fraud or corruption, or who cooperates in such investigations shall not be subject to recriminations or victimization, as set forth in both the Code of Conduct for IPU Personnel and the IPU Staff Rules and Regulations.
17. Victimization or any attempts to deter anyone from reporting suspicions of fraud or corruption or from witnessing such acts in an investigation constitute a serious breach of the Code of Conduct for IPU Personnel, and may result in the imposition of disciplinary measures in accordance with Staff Regulation 10.2 and Article 101.3 of the IPU Staff Rules.
18. Proven abuse of the process by making knowingly false, vexatious or malicious allegations shall be regarded as a serious breach of the Code of Conduct for IPU Personnel, and may also result in the imposition of disciplinary measures in accordance with Staff Regulation 10.2 and Article 101.3 of the IPU's Staff Rules.

#### **B. Investigation**

19. The Secretary General shall designate a suitable person to promptly investigate suspected instances of fraud and corruption. Any investigation conducted under the present Policy shall be done in an impartial, fair and thorough manner.
20. The handling of any allegations of fraud or corruption, including investigations and any eventual disciplinary measures shall be done in accordance with the IPU's disciplinary procedures as set out in its Code of Conduct for IPU Personnel, its Staff Regulations and Rules and the present Policy.

#### **C. Disciplinary Measures**

21. Where there is proof of fraud or corruption, appropriate disciplinary action shall be taken against the IPU staff member(s) in question, in accordance with Staff Regulations 9 and 10 and Article 101.3 (a) of the Staff Rules. In cases involving external collaborators, experts, consultants and interns, their contracts shall be used as a basis for the termination of their services.

#### **D. Privileges and Immunities**

22. In accordance with the terms of the IPU's Headquarters Agreements, the Secretary General may waive the immunity of the staff member(s) in question in any case where such immunity would impede the course of justice or reflect negatively on the IPU; immunity may be waived without prejudice to the IPU's interests.

#### **E. Confidentiality of Information and Protection of Identity**

23. Staff members, consultants, experts, external collaborators, interns, contractors, suppliers, cooperating parties and any third parties who have entered into a contractual agreement with the IPU and have reported suspicions of fraud or corruption shall not discuss the matter with anyone other than the person to whom the report is made or as otherwise directed.

24. The IPU shall take all appropriate measures to ensure that the information reported is disclosed only to the persons handling the investigation and remains strictly confidential.
25. The IPU shall keep secret the identity of the person(s) reporting in good faith any suspicion of fraud and corruption and shall protect them from any form of reprisal. In cases of reasonable fear of adverse reaction from the person whom they reasonably suspect of having committed a fraudulent act or from a superior, the report may be submitted anonymously. In cases where the person reporting the incident is required to provide evidence, his/her identity shall be kept secret except as required by any legal proceedings.

#### **F. Security of Data**

26. To ensure that all documentation relating to an alleged act of fraud or corruption is available for review in its original form, the IPU shall take immediate action to prevent the theft, alteration or destruction of such documentation. Such actions may include, but are not necessarily limited to:
  - Removing the documentation, computers, hard drives and any electronic data storage media from their current location and securing them in another location;
  - Limiting access to the location where the documentation, computers, hard drives and any electronic data storage media are currently kept;
  - Preventing the individual suspected of committing the fraudulent or corrupt act from having access to the documentation, computers, hard drives and any electronic data storage media pending the investigation; and
  - Seeking urgent advice from a suitably qualified internal or external expert regarding the handling of electronic documentation or media.

#### **G. Recovery Measures**

27. The IPU shall seek to recover any losses resulting from fraudulent or corrupt activity using all the means at its disposal, including legal action.

### **Section 4. Monitoring**

#### **A. Monitoring and Evaluation**

28. Following any proven incident of fraud or corruption, the Secretary General, with the assistance of the Director of Support Services, shall conduct a review of relevant policies, procedures and internal controls in the area where the fraud or corruption occurred to assess whether they need to be revised and what, if any, corrective measures need to be taken.

### **Section 5. Dealing with the external environment**

#### **A. Coordination with External Parties**

29. The IPU shall share with relevant external parties best practices on fraud and corruption prevention and control and information where necessary to address specific situations.

#### **B. Communications and Media Strategy**

30. No statements or comments on fraud or corruption cases or allegations may be made in public or to the media except by the IPU's authorized representative specifically appointed by the Secretary General.

## Section 6. General provisions

This Policy may be amended by the Secretary General in a manner consistent with the IPU Financial Regulations. Any amendment to this Policy shall be communicated to the Executive Committee and to all personnel.

The Policy, as published in the present edition shall be effective 1 October 2012. The English and French texts of these Rules are equally authoritative.

### **IPU Fraud and Corruption Prevention and Control Policy 2012 Acknowledgment**

I \_\_\_\_\_, confirm that I have read and understood this Policy, and agree to abide by its terms, which are part of the conditions of my employment/service with the IPU.

Signature \_\_\_\_\_

Place \_\_\_\_\_

Date \_\_\_\_\_

## 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 it may indicate an area where improved work practices are necessary:

- theft of supplies and equipment
- improper use of an IPU credit card
- improper use of the IPU's official seal
- use of monies identified for specific programme activities for unrelated programmes
- an excessive claim for expenses or allowances
- payment of salary or wages to a fictitious employee
- false work attendance record or timesheet
- not recording leave taken or false classification of leave
- acceptance of offers, receiving or offering kickbacks or bribes for preferential treatment
- payment for work not performed
- making or using forged credentials and endorsements
- altering amounts and details on documents
- collusive bidding
- overcharging
- writing off recoverable assets or debts
- unauthorized transactions
- selling information
- altering donations, stocks and assets records
- unrecorded transactions
- transactions (expenditure/receipts/deposits) recorded for incorrect sums
- cash stolen or borrowed without authorization
- supplies or equipment stolen or borrowed without authorization
- manipulation of the procurement process, including undisclosed conflict of interest
- unauthorized transactions with related parties
- not recording donations wholly or partially
- damaging or destroying documentation
- not disclosing all documentation
- misusing copies of records and receipts
- false invoicing, including using imaging and desktop publishing technology to produce false original invoices charging incorrect accounts in order to misappropriate funds
- over claiming expenses
- running a private business with official assets
- false compensation and insurance claims
- inappropriate or unapproved use of computer-generated signatures
- downloading confidential information and forwarding this to an unauthorized party
- presentation of false documentation or statements about personal past experience, education or certificates/diplomas
- inappropriate use of assets for personal purposes
- use of information for personal gain or advantage
- false declaration and failure to reimburse the organization

## Indicators that may flag 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 it may indicate an area where improved work practices are necessary:

- missing expenditure vouchers and unavailable official records
- atmosphere of crisis and pressure
- deteriorating financial results
- excessive variations in budgets or contracts
- refusal to produce files, minutes or other records
- transferring amounts between accounts frequently
- related party transactions
- borrowing from fellow employees
- covering up inefficiencies
- lack of supervision
- excessive staff turnover
- figures, trends or results that do not meet expectations
- bank reconciliations that are not maintained or that cannot be balanced
- excessive movement of cash funds
- employees with unauthorized outside business interests or other jobs
- employees experiencing financial hardship
- heavy gambling habits
- conflicts of interest
- 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 office premises
- cash payments or claims not supported by original receipts/invoices or certified copies

## 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 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 recognizes 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 that promotes ethical behaviour
- act immediately on Internal/External Auditor's report to rectify control weaknesses
- review, where possible, the financial risks of employees
- do not accept any signed documentation containing a correction that obliterates the original entry (e. g. do not accept expenditure forms that contain 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, and payment and purchasing systems
- review large and unusual payments
- undertake test checks and institute confirmation procedures
- maintain good physical security of all premises
- 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
- ensure that staff take regular leave
- ensure that all expenditure is authorized
- issue accounts payable promptly and follow up any non-payments
- ensure that staff are fully aware of their rights and obligations in all matters connected with fraud
- thoroughly check HR references, past experience of selected applicants and certificates/diplomas
- update and maintain a well-organized filing system, including of contracts
- implement a sound procurement policy requiring more than one quote
- ensure that all consumables, including petrol, are properly recorded
- promote declaration of conflict of interest