



administrative circular

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POLICY ON FRAUD AND IMPROPER USE OF THE ORGANIZATION'S RESOURCES

Introduction

This policy statement aims at restating and consolidating various pronouncements and administrative provisions dealing with the prevention and detection of 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 from serving their ultimate purpose of ensuring humanity's freedom from hunger.

FAO staff members¹ are international civil servants committed to the highest standards of efficiency and integrity. These requirements ensure that staff members will remain dedicated to the purposes outlined in the preamble of the FAO Constitution, and will place the interests of the Organization above their own and use its resources in a responsible manner.

The fundamental requirement of integrity is enshrined, *inter alia*, in the FAO Staff Regulations, which make it clear that by accepting appointment, staff members pledge themselves to discharge their functions and to regulate their conduct with the interests of the FAO only in view. The Standards of Conduct for the International Civil Service, incorporated in Manual Section 304, make it clear that the concept of integrity embraces all aspects of behaviour of an international civil servant, including such qualities as honesty, truthfulness, impartiality and incorruptibility. In turn, Manual Section 330 (Disciplinary Measures) provides that fraud, abuse of trust or the use of official positions for pecuniary gain constitute unsatisfactory conduct punishable by disciplinary action, including such severe disciplinary measures as dismissal, or summary dismissal.

DISTRIBUTION: Headquarters, Regional, Subregional and Liaison Offices
FAORs and Project managers

¹ The present policy statement is also applicable to other personnel contracted by FAO, subject to necessary adaptation.

Definition and Elements of Fraud

There are many definitions of fraud. Common to all is the element of false representation made knowingly, without belief in its truth, with a resulting loss of a valuable resource. At FAO, the following definition is used²: “*an intentional act by one or more individuals among management, employees, or third parties, which results in a misrepresentation of financial statements. Fraud may involve:*

- *manipulation, falsification or alteration of records or documents;*
- *misappropriation of assets;*
- *suppression or omission of the effects of transactions from records or documents;*
- *recording of transactions without substance; and*
- *misapplication of accounting policies.”*

In practice, instances of fraud often fall in one of the following categories:

- fraud committed to obtain undue financial benefits or entitlements (e.g. fraudulent claims for rental subsidy, education grant, travel, medical insurance);
- fraud involving third parties, notably in procurement or disbursement (e.g. collusion with contractors, preferential treatment, conversion of cheques); and
- fraud committed to cause the Organization to act in a manner other than it would have acted with the full knowledge of the truth (e.g. false *curriculum vitae*, forged university degrees, fraudulent appraisal reports or certificates).

Improper Use of the Organization’s Resources

Staff members are reminded that the property, assets and resources of the Organization may be used for official purposes only. Allowance being made for mere courtesy among colleagues and friends, staff members at all levels may not use the expert services of the Organization for private purpose, except in relation with their own status as officials of the Organization.

Responsibilities

All staff members, managers and oversight bodies have a responsibility to ensure the proper use of the Organization’s resources.

i) Staff members

The responsibilities of staff members in respect of fraud prevention and detection go beyond merely abstaining from committing fraud. As part of the duty of loyalty, the Organization expects each staff member to ensure that the prescribed policies and procedures are fully adhered to and that any breakdown in the system of internal control is immediately reported. The standards of conduct applicable to staff members oblige them to report without delay any instances of fraud, waste and malfeasance to the detriment of the Organization.

² This definition was adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency in Audit Guide No. 204, issued in December 1996.

ii) Managers

Managers at all levels have an overall responsibility for preventing fraud. They are expected, with the assistance of the relevant support units, to adhere to the established system of internal control to prevent fraud and, in particular, to:

- identify the potential perils, factors, and types of risks to which their assets, programme activities and interests are exposed;
- assess the identified risks, select risk avoidance options, design and implement cost effective prevention and control measures; and
- establish new or improved measures to prevent the recurrence of incidents.

Managers who fail to take appropriate actions in this connection or who directly or indirectly tolerate or condone improper activity will themselves be held accountable.

iii) The Office of the Inspector-General

Under its Charter, the Office of the Inspector-General ascertains that the network of control processes, as designed and represented by management, is adequate and functioning in a manner as to provide assurance on the reliability of the accounts and the efficient, effective and economical use of the Organization's resources. The Office of the Inspector-General also ascertains that staff members' actions comply with the legal and regulatory framework including applicable policies, standards and procedures, especially with respect to the receipt, custody and disbursement of funds and other resources of the Organization.

iv) The External Auditor

Complementary oversight is also provided by the External Auditor pursuant to the Basic Texts of the FAO. Under its terms of reference, the External Auditor reports to the Governing Bodies on cases of fraud or presumptive fraud that may arise in each biennium. In addition, the External Auditor reports on any cases of wasteful or improper expenditure of the Organization's funds or other assets.

Reporting Fraud

The Office of the Inspector-General has been designated to receive complaints or information concerning the possible existence of fraudulent activities. Confidentiality will be respected by the Office of the Inspector-General and no reprisal will be taken against staff members providing such information unless it is determined that it was wilfully provided with the knowledge that it was false or with the intent to misinform. A dedicated confidential fax number has been set up in the Office of the Inspector-General for that purpose. The number of the special fax is (+39) 06 5705 5550.

Investigating Fraud

The Office of the Inspector-General has the primary responsibility for investigating suspected fraud. In pursuing its mandate, the Office of the Inspector-General has full, free and prompt access to all accounts, records, property, personnel, operations and functions within the Organization which, in the opinion of the Office, are relevant to its work.

Disciplinary Action

As provided under Manual Section 330 (Disciplinary Measures), the purpose of disciplinary measures is to protect the integrity and efficiency of the Organization. Examples of unsatisfactory conduct warranting disciplinary action include the following:

- the use of one's official position for pecuniary gain;
- abuse of trust to the detriment of the Organization; and
- false statement, misrepresentation or fraud.

The Organization will consistently impose a severe disciplinary measure, including that of dismissal, or summary dismissal, on staff members found guilty of fraud. Furthermore, in such cases, monies due to FAO by the staff member involved are systematically recovered from salaries or terminal emoluments. Depending on the circumstances of each case, the Organization may pursue recovery through the national judicial authorities of the country where the fraud has been committed.

Conclusion

Each staff member is expected to adhere fully to the principles and practices outlined in this policy statement, in the knowledge that integrity, incorruptibility and transparency are requisite for the Organization's successful execution of its mandate.

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