Fraud Awareness Guidelines

To be used in conjunction with the WHO Fraud Prevention Policy

Introduction

1. The purpose of these general guidelines is to support managers understanding of how to be aware of the possibility of fraud. Measures to prevent, deter and detect fraud are also summarised.

2. Managers are responsible to create and maintain a culture of INTEGRITY honesty and high ethics and to evaluate the risks of fraud and implement the processes, procedures, and controls needed to mitigate the risk and reduce the opportunities for fraud.

3. It is crucial in fraud prevention that management set the tone for ethical behaviour. Management must lead by example and show staff through their own actions that dishonest or unethical behaviour will not be tolerated. Moreover, it should be evident that all staff will be treated equally, regardless of their position.

4. Fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, staff members, or third parties. Therefore it is important to place a strong emphasis on fraud prevention and fraud deterrence. Moreover, prevention and deterrence measures are less costly than fraud detection and investigation.

5. The WHO Fraud Prevention Policy is framed within certain parameters:

a. Risk Assessment

i. Fraud prevention is dependant upon the realistic identification and assessment of the risk of fraud occurring. Risks are considered in three main categories:

   - personnel risk
   - structural/physical risks
   - operational/financial risks

   Differing risk environments in which WHO operates must be taken into consideration. In some environments the level of risk may be higher and thus require more rigorous mitigation measures (see below) than in other environments.

ii. Following risk assessment, measures are put in place to mitigate the risks identified, with particular emphasis on the areas of greatest vulnerability.

b. Preventive Measures

i. Specific measures that address particular risks as well as the internal control measures that concern segregation of duties and other related matters that form a key element of risk mitigation are necessary. Certain policies and procedures in
the areas of human resource management, financial management, contracting and procurement are specifically designed to reduce the risk of fraud. Therefore, whilst these may be perceived as duplication, unnecessary bureaucracy or even an indication that staff are not trusted, these policies and procedures are necessary to mitigate the risk of fraud and protect staff from the risk of suspicion that they may have colluded in the perpetration of a fraud or suspected fraud.

ii. Sound internal control, whereby several people are involved in the processing of contracts and payments is an essential element and the three signature policy that distinguishes between the initiating, certifying and approving officers has been drawn up with this in mind.

iii. Directors and managers throughout the Organization are responsible and accountable for these controls and for reviewing the application of any authority that they might delegate.

c. Contingency Measures

The fraud contingency part of the policy details the correct actions to be taken should the Organization experience a fraud. The policy addresses issues such as procedures regarding evidence, dealing with the suspected fraudster, reporting the incident to the relevant authorities. Details of how to report suspected fraud are contained in Part IV, Section I of the Manual.

Conditions encouraging fraudulent activities

6. Three conditions are generally present when fraud occurs: (a) pressure, (b) opportunity, and (c) attitudes/rationalizations. Some examples are:

- **Pressure**: emergency operations in general place extreme or excessive pressure on the unit involved; perceived or real adverse effects of reporting poor financial results such as low programme/project implementation; to meet financial/operational targets set up in project documentations; personal financial obligations;
- **Opportunity**: operations in countries where differing business environment and cultures exist; ineffective monitoring; high staff turnover; deficient internal control components (e.g. where one staff member is responsible for many tasks, especially with regards to preparation, execution and authorization of payments); staff handling large amounts of cash;
- **Attitudes/rationalizations**: disregard for internal control; behaviour indicating displeasure or dissatisfaction with the organization or its treatment of staff members; changes in behaviour or lifestyle.

7. Fraudulent activities can be greatly minimized by: (a) setting a proper example by top management and (b) creating a control environment to influence the control consciousness of its staff.
8. Fraudulent activities can be substantially reduced by the application of sound management policies and procedures. The knowledge that internal controls are in place, constantly being emphasized and improved, and subject to selective audit review, is a powerful disincentive to the potential wrongdoer.

9. Fraud investigations in the UN system have shown that the leading causes of fraud are disregard for:
   - Existing codes of conduct
   - Rules and regulations and procedures
   - Existing control mechanisms

**Organizational environment**

10. WHO’s Fraud Prevention Policy reflects the organization’s core values. Some of the principles outlined are particularly important for fraud prevention such as:
   - Conflicts of Interest, including nepotism and cronyism;
   - Relationships with suppliers and counterparts;
   - Gifts, entertainment, and favours.

11. **Conflict of Interest** arises in general when a staff member or someone close to a staff member, could be seen to benefit personally from the staff member's official dealings or position. Nepotism applies to a situation in which a staff member uses his/her position to obtain employment/contract for a member of the family. Cronyism covers situations where improper preferential treatment is given to friends and/or colleagues.

12. **Relationships** with suppliers and/or counterparts should be avoided for the award of contracts to a company in which the staff or his/her family has an undisclosed financial interest.

13. **Gifts, entertainment, and favours** must not be accepted that could, in any way, influence, or appear to influence decisions in favour of any person or organization with whom or with which WHO has, or is likely to have, official dealings.

14. WHO is a complex and dynamic organization with a high staff turn-over; therefore, it is important to remind staff on a regular basis of the importance to comply with the standards of conduct laid down in the Staff Regulations and Rules and principles as stated above, and the Standards of Conduct for the International Civil Service distributed to staff under Information Note 27/2004.

15. Main factors influencing the organization’s working environment are:
   - Management systems/Management standards;
   - Employment practices;
   - Training/Promotion opportunities;
   - Discipline
Management systems/Management standards

16. In general, a sound system of financial management and accounting inhibits, discloses, and helps confirm and identify corrupt practices. The knowledge that internal managerial controls are in place, constantly being emphasized and improved, and subject to review by management at all levels, is a powerful disincentive to the potential wrongdoer. However, no system is fool proof for a variety of reasons.

17. Over time rules and regulations may have become redundant. A continuous dialogue between management and operational departments will ensure that management systems are at all times meeting necessary requirements for management to discharge their operational responsibilities. Failing to do so creates tension within the organization and opens doors to mismanagement and potential fraud. Managers must encourage operational staff to bring issues/concerns up during management meetings and to promptly follow up with the respective departments within the General Management Cluster.

18. Emergency situations often require prompt decisions. Compliance with existing rules is frequently perceived as delaying urgently required decisions/actions. Therefore, managers may often decide/act outside established management systems. A situation is created which is wide open to fraudulent activities. Here it is of utmost importance to consult with the Directors of the relevant departments in the General Management Cluster at Headquarters in advance and when there is no alternative, to document reasons for non-compliance and to create a clear audit trail.

19. Fraud involves deliberate and deceptive acts with the intention of obtaining an unauthorized benefit, such as money, property or services, by deception or other unethical means. The Director-General has a zero tolerance policy in respect of fraud. Mismanagement, however, is a much wider concept; generally, a mismanaged unit/department is chaotic and thus wide open to fraudulent activities.

Employment practices

20. WHO’s hiring procedures are very specific and clearly spelled out. WHO and UN audits, particularly fraud investigations, have shown that neglect in checking a candidate’s education, employment history and in particular, personal references were often one of the major contributing factors to mismanagement and fraud.

21. Supervisors should be encouraged to incorporate into regular performance reviews an evaluation of how each staff member has contributed to creating an appropriate workplace environment in line with WHO’s values.

Training

22. New staff members should be trained at the time of their appointment about WHO’s values. This training should explicitly cover expectations regarding (a) their duty to communicate certain matters; (b) a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and (c) information on how to communicate those matters.
23. As spelled out in WHO’s Fraud Policy, all staff members will be held accountable within WHO Regulations, Rules, Policies and Procedures. Furthermore, managers, to whom authority over financial or human resources has been delegated, are responsible and accountable to respect internal control policies relating to segregation of duties of staff dealing with financial matters and to diligently apply all policies and procedures of the Organization. Failure to do so may contribute to the perpetration of fraud, or create an environment in which the risk of fraud is increased. Examples include:

- Acts or omission to avoid or deviate from the Financial Regulations, Financial Rules, policies and procedures, including inappropriate use of certifying and approving authority;
- Failure to disclose an interest relationship with a third party who might benefit from a decision in which the staff member takes part; or
- Favouritism in the award of a contract to a third party;

24. Such actions or failure may constitute misconduct which will be dealt with in accordance with the applicable regulations, rules, policies and procedures.