



## **2013 Annual Report on Investigation and Anticorruption Activities**

## **Contents**

<b>Summary</b>	<b>1</b>
<b>AUO investigation mandate and method</b>	<b>1</b>
<b>Investigation activities in 2013</b>	<b>2</b>
<b>Implementation of the anticorruption policy</b>	<b>7</b>
<b>Other and external activities</b>	<b>8</b>

## Summary

1. The Office of Audit and Oversight (AUO) and its Investigation Section (IS) are mandated to investigate alleged irregular practices in IFAD activities and operations. This mandate stems from the AUO Charter, the IFAD Human Resources rules and Code of Conduct, and the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations. IFAD's investigative and anticorruption activities aim to ensure that development funds reach intended beneficiaries in the most efficient, effective and transparent manner possible and that IFAD staff adhere to the ethical and integrity standards set by the Fund. The number of new complaints received in 2013 was slightly higher than in 2012 (39 against 33 in 2012). There was an increase in the number of external fraud allegations, particularly in procurement, as well as in the number of staff-related cases. In 2013, AUO successfully closed 41 cases, including several complex allegations, and disciplinary measures or sanctions were applied in six cases: five internal and one external.
2. As in previous years, AUO made presentations to IFAD and project staff on corruption and fraud awareness and provided anticorruption awareness material for distribution during project-related events.
3. For 2013, the AUO/IS operated with two investigation officers and one investigation assistant (recruited towards the end of the year). Management provided AUO with additional financial resources to ensure adequate capacity for the investigations area.
4. AUO priorities in 2014 will be to ensure a prompt response to complaints received and to increase its proactive efforts in promoting the IFAD anticorruption agenda, especially through presentations at regional learning events attended by IFAD and project staff in the field.

## AUO investigation mandate and method

5. AUO and IS are mandated to investigate alleged irregular practices, namely: (i) fraud and corruption in relation to entities, contractors and non-staff individuals applying for or participating in an IFAD-financed project or headquarters-related contract; and (ii) staff misconduct, including alleged harassment, abuse of authority, retaliation and conflict of interest. IFAD's investigation and sanction practices are aligned with best practices applied in this area by other United Nations agencies and the major multilateral development banks.
6. AUO/IS investigations are administrative in nature and their objective is to gather evidence that may either corroborate or refute an allegation. AUO/IS also investigates when there are indications that malicious or deliberately false information has been reported.
7. Upon receipt, every allegation is subject to a preliminary assessment. If it is found that the allegation falls within the mandate of AUO, a risk assessment is performed to prioritize the allegation with respect to the existing caseload and an analysis of available information is conducted to determine whether it is appropriate to perform a full investigation, refer to Management for remedial action, or catalogue for information. It may be determined that an allegation is better suited for referral to other IFAD divisions, outside agencies or governments, either at the preliminary assessment or after a full investigation. Investigated allegations are classified upon completion as:
  - **Substantiated** when a preponderance of evidence is found to indicate that irregular practices have occurred;
  - **Unsubstantiated** when the evidence obtained is insufficient either to corroborate or to refute an allegation of irregular practices; or
  - **Unfounded** where a preponderance of evidence is found to refute the allegation(s).

8. Substantiated allegations are presented to the IFAD Sanctions Committee, an internal committee composed of IFAD senior managers, to assess the outcome and decide on the sanction to be applied (in the case of an external party) or, for internal cases, advise the President as to whether a disciplinary measure should be taken.

## Investigation activities in 2013

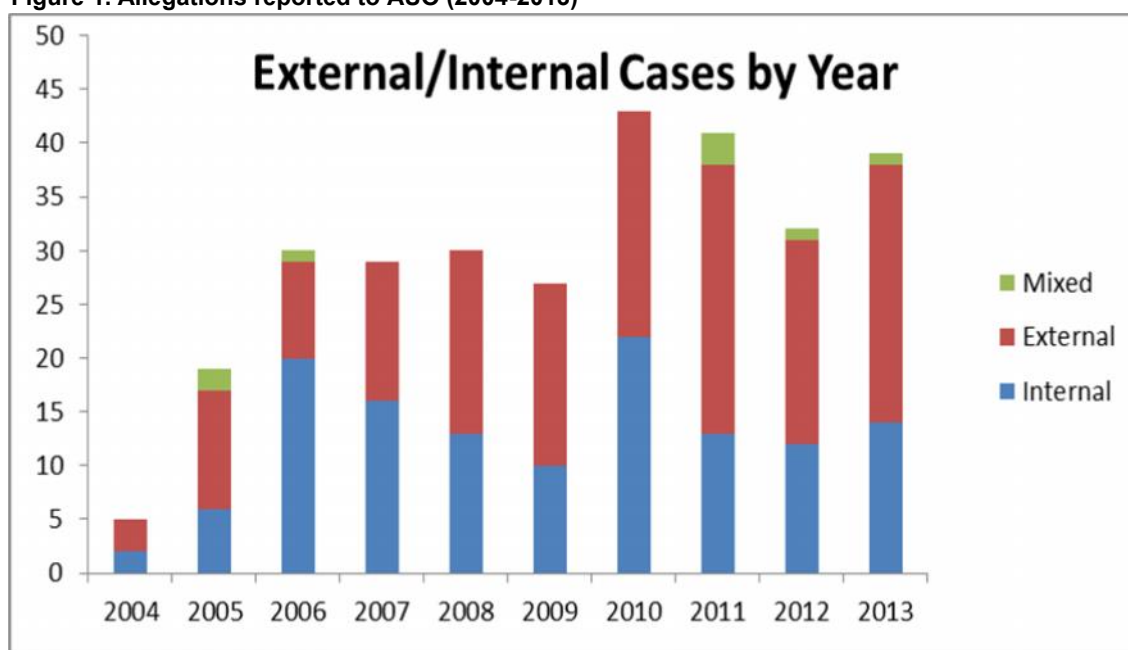
9. **Caseload for 2013.** AUO handled 60 active cases in 2013, of which 21 were carried forward from previous years (including one reopened case) and 39 were new. The number of open cases at year-end remained at a similar level to that of 2012.

**Table 1: Active investigation cases in 2012/2013**

	<i>Internal</i>	<i>External</i>	<i>Internal/ external</i>	<i>Total</i>
<b>Cases pending at year-end 2011</b>	<b>9</b>	<b>30</b>	<b>3</b>	<b>42</b>
Cases received in 2012	13	19	1	33
<b>Total active cases in 2012</b>	<b>22</b>	<b>49</b>	<b>4</b>	<b>75</b>
Cases closed in 2012	17	35	3	55
<b>Cases pending at year-end 2012</b>	<b>5</b>	<b>14</b>	<b>1</b>	<b>20</b>
Cases received in 2013	17	21	1	39
Case reopened in 2013	1	0	0	1
<b>Total active cases in 2013</b>	<b>23</b>	<b>36</b>	<b>1</b>	<b>60</b>
Cases closed in 2013	19	20	2	41
<b>Cases pending at year-end 2013</b>	<b>4</b>	<b>15</b>	<b>0</b>	<b>19</b>

10. The number of new allegations related to staff conduct and to projects showed a slight increase over 2012 (figure 1).

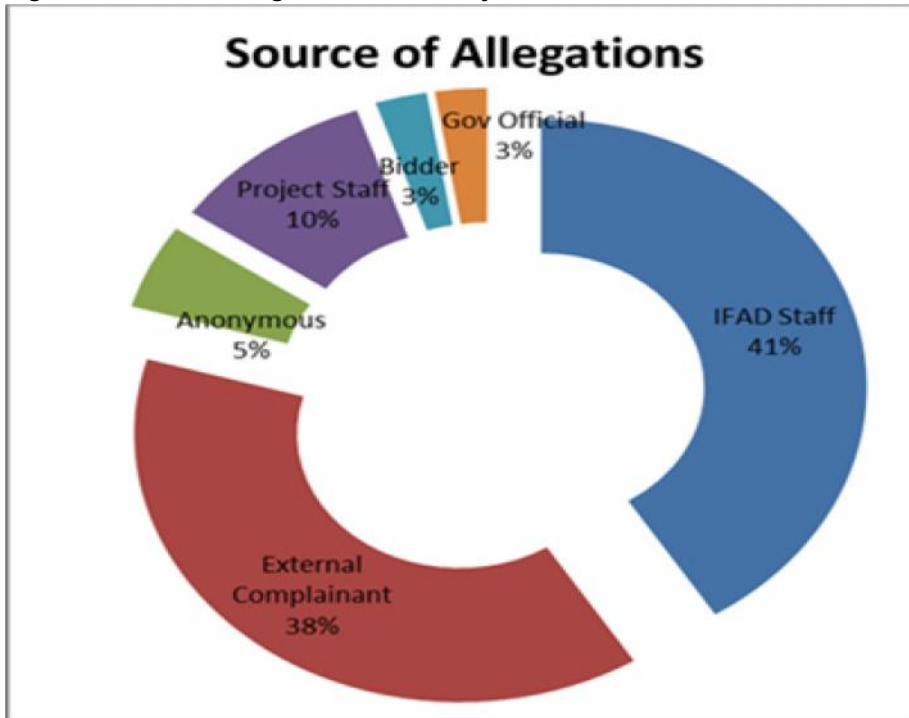
**Figure 1. Allegations reported to AUO (2004-2013)**



11. In general, the incidence of new allegations is affected by many factors and is not predictable. The increasing trend could be an indication that the improved fiduciary and ethics mechanisms put in place by the Fund in the last two years (such as the segregation of operational and financial project responsibilities and the establishment of the Ethics Office) are having an impact.

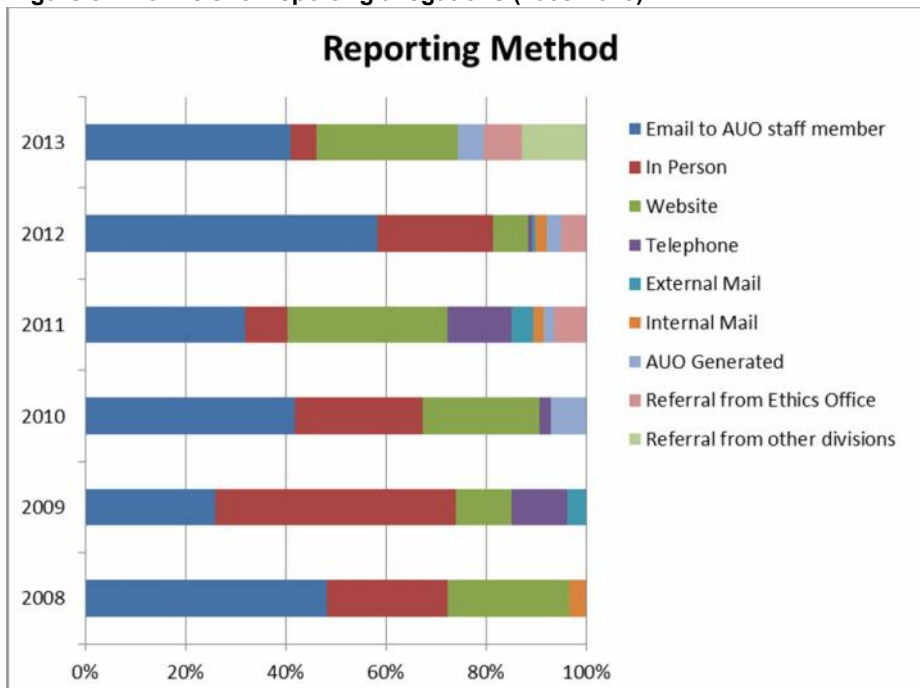
12. **Source of allegations.** The source pattern of complaints was similar to that of past years (see figure 2).

Figure 2. Source of allegations received by AUO in 2013



13. Compared to the previous year, however, the 2013 figures show an increase in the number of allegations reported via IFAD’s anticorruption website and dedicated e-mail reporting mechanisms (see figure 3). This could be a result of AUO’s increased visibility in 2013 in prevention initiatives undertaken by IFAD, such as the financial management workshops organized by the Controller’s and Financial Services Division (CFS).

Figure 3. Channels for reporting allegations (2008-2013)



14. **Nature of allegations.** Allegations of irregular practices involving staff are referred to as internal cases, whereas allegations in connection with external contractors and IFAD-financed projects and programmes – including alleged irregular practices engaged in by the borrower’s or project party’s employees, firms, private entities and other individuals – are categorized as external cases. Of the 39 allegations received in 2013, 24 were external and 15 internal. Table 2 provides information on the nature of allegations received in 2013.

**Table 2: Nature of allegations received in 2013**

<i>Nature of allegation</i>	<i>Number</i>
<b>External</b>	
Fraud	10
Corruption, kickbacks, extortion, bribery, collusion	1
Recruitment irregularities	4
Other	1
Mixed (corrupt/fraudulent/collusive/coercive practice)	8
<b>External/Internal</b>	
Mixed (fraudulent/collusive practice/conflict of interest)	1
<b>Internal</b>	
Harassment and/or abuse of authority	5
Fraud	3
Other misconduct	6
<b>Total</b>	<b>39</b>

AUO does not investigate procedural breaches or mismanagement per se in IFAD projects except where such procedural breaches or mismanagement are indicative of fraud and corruption, or of impropriety on the part of IFAD staff members.

15. The Ethics Office was established in 2011 to act as a mediation mechanism for alleged harassment in order to address issues at an early stage. In 2013, two cases of harassment and/or abuse of authority by a supervisor were formally referred to AUO. One of the cases was investigated and led to sanctions, while the other is still under investigation. The Ethics Office also referred three other matters (not harassment-related) to AUO, all of which were closed after a preliminary assessment.
16. **Investigations closed in 2013 and sanctions imposed.** In 2013, AUO completed its work on 41 cases. Of the closed cases, 12 were closed at the intake phase (all opened in 2013); 20 were closed at the preliminary assessment phase (nine of which were opened in 2013); and nine were closed at the investigation stage (five of which were opened in 2013) (see figure 4). Examples of cases closed at each stage are provided below. Figure 5 shows the disposition of these cases.

Figure 4. Cases closed in 2013

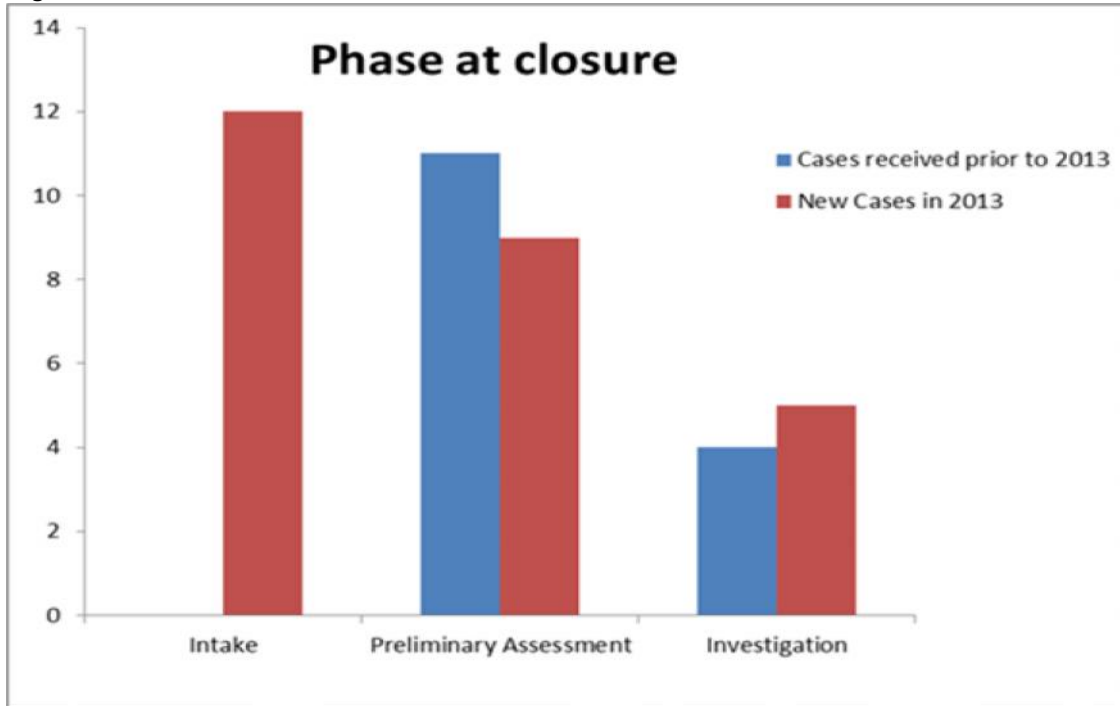
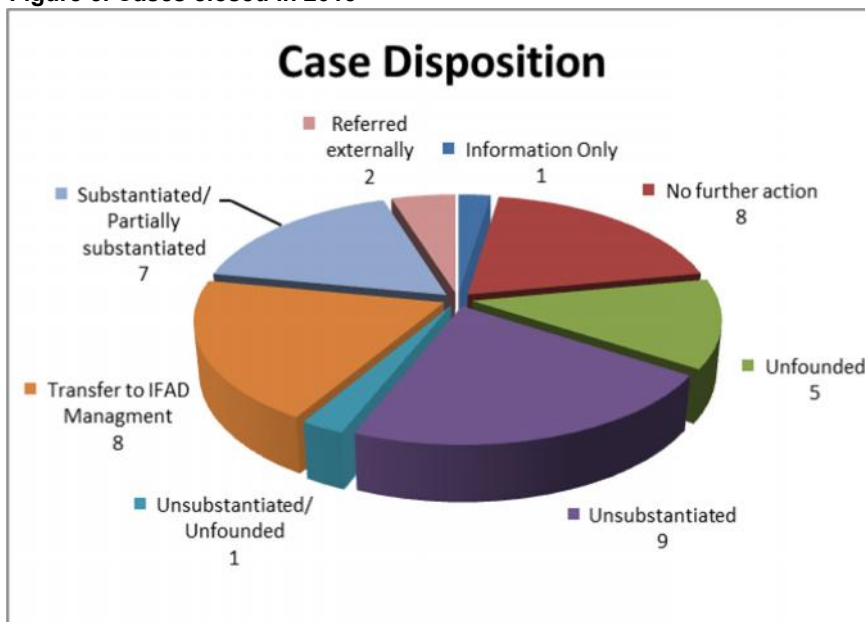


Figure 5. Cases closed in 2013



Cases may be referred to IFAD Management, IFAD divisions, governments or other appropriate entities.

17. **Cases leading to disciplinary or corrective measures.** AUO found that an IFAD consultant had forged a security training certificate to finalize his consultancy contract with IFAD, which required travel for the assignment. The IFAD Sanctions Committee decided to prohibit this consultant from receiving any contracts from IFAD for a specified period (the final decision on the sanction is still pending).
18. AUO received allegations regarding academic credentials awarded by unaccredited institutions and presented to IFAD by two IFAD staff members: one General Service and one Professional. In the case of the former, AUO found that the degree was obtained from a "diploma mill" in exchange for a fee. In the second case, AUO concluded that the staff member misrepresented his/her academic credentials in the context of an application process. The disciplinary measure of suspension from duty was imposed on both staff members.

19. A staff member was found to have been engaged in an undisclosed conflict of interest in maintaining an advisory role to an entity with which IFAD had a commercial relationship. Based on a finding that the advisory relationship had been inactive, and the absence of any preferential treatment or favouritism, the staff member was not disciplined, but did receive a letter ordering him/her to resign from the advisory role and to refrain from any future involvement with the entity.
20. AUO investigated a case of harassment and abuse of authority involving a staff member vis-à-vis a supervisee. The investigation concluded that the subject had engaged in unacceptable behaviour by creating a hostile and offensive working environment for the complainant and also had demonstrated unwelcome conduct towards other staff members. The disciplinary measure of suspension from duty as well as remedial measures were applied for the staff member.
21. AUO investigated an allegation from a state representative that an IFAD staff member had made disparaging remarks with respect to the country of the state representative. AUO found that the tone used and the behaviour of the staff member had been inappropriate, but did not find sufficient evidence to conclude that the reported disparaging remarks were made. The staff member was given a verbal warning and reminded of the standards of conduct expected at IFAD.
22. **Cases that did not lead to sanctions.** Of the 41 cases resolved by AUO in 2013, 12 were closed at the intake phase. This usually means that the complaint received by AUO did allege some wrongdoing, but that AUO did not have the jurisdiction to investigate the matter. For example, these complaints may have related to project management issues rather than fraud or corruption in IFAD-funded activities (e.g. harassment of project staff, favouritism in recruitment, misuse of IFAD's name and logo by third parties or employment scams). These cases are typically referred back to the relevant division of the Programme Management Department (PMD) in the case of project allegations, or to other relevant divisions.
23. Twenty additional cases were closed after a preliminary assessment was performed. This usually happens when additional enquiries show that the allegation is not credible, material or verifiable. This stage will usually involve some witness interviews (at least with the complainant to clarify the allegation) and a review of the relevant documents. In many instances, unfortunately, AUO is unable to proceed further because the initial complainant cannot be contacted or refuses to provide additional information to AUO. In some cases, further inquiries show that the allegation is not for IFAD to investigate. For instance, one case was closed and referred to another United Nations organization when the reported misconduct of a consultant was found to relate to a specific project and contract with the other organization, not IFAD. In another case, it transpired that the funds that were allegedly misused were counterpart funds from the government, therefore AUO referred the issue to the government in question. Finally, some project allegations were closed at this stage as the initial review did not confirm the allegation. This was true of one alleged procurement fraud case, in which AUO failed to find any problems with the procurement procedures followed, and confirmed that the alleged favouritism was non-existent.
24. In terms of internal cases resolved at this stage, one alleged that a group of staff were coerced into signing a protest letter in relation to a colleague. AUO confirmed that this had not been the case. Another case related to the fraudulent use of overtime by one staff member, who had claimed overtime while on annual leave. In that case, AUO did not find any evidence of fraud, but did identify some concerns regarding the use of overtime in situations that are not consistent with the underlying provisions or rationale, which were reported to Management for action. An allegation regarding the inappropriate behaviour of a staff member in work-related social events was examined. Detailed interviews did not confirm the specific allegations, but did raise general concerns regarding the staff member's behaviour, which were reported to the Ethics Office for follow up with the staff member in question.



25. In one example of successful cooperation with PMD colleagues, AUO received allegations regarding the misuse of training funds in an IFAD project. In close collaboration with the country programme manager (CPM), initial verifications were conducted during a supervision mission. While these verifications were inconclusive, they led to additional information being provided to IFAD. This allowed the matter to be referred to the Government, and a special audit exercise was conducted. This audit confirmed that training forms were being falsified, and the responsible project staff in question was sanctioned by the Government, and ordered to reimburse the misappropriated amounts.
26. AUO collaborated with another international financial institution (IFI) in investigating allegations of fraud and corruption in a jointly funded project, which included a joint investigative mission. The initial findings showed that the diverted funds at issue were funds contributed by the other IFI, while IFAD, through the quick reporting and actions of the CPM, managed to stop further IFAD funds being disbursed to the impugned component. While the other IFI took the lead in the investigation given this finding, IFAD cancelled the remaining portion of the loan that would have been disbursed to that component, which amounted to approximately US\$1 million.
27. In addition to the investigations that resulted in sanctions reported above, AUO also completed three full investigations that did not conclude with a finding of misconduct. The first concerned possible collusion in the award of a contract of services provided to IFAD. This contract was also the subject of an audit review which had revealed red flags for procurement irregularities. The investigation concluded that several lapses had occurred in the performance of control duties, but no misconduct by IFAD staff or irregular practices by the contractor were identified. AUO presented its additional findings to IFAD Management for appropriate action.
28. Another investigation concerned the professional actions and decisions of a staff member that caused reputational and financial damage to IFAD. The investigation found that the staff member did not exercise the required care in considering risks and consequences of such actions, but did not find evidence of bad faith or malfeasance. The investigation report was submitted to the President for appropriate action.
29. One investigation into allegations of harassment, retaliation and abuse of authority, initially closed in 2012, was reopened in 2013 after a review of the case showed that two discrete issues had not been fully addressed. AUO carried out additional investigative actions to cover these matters and concluded that the evidence gathered was consistent with AUO's initial conclusions that the allegations were not substantiated.

## **Implementation of the anticorruption policy**

30. The proactive awareness-raising activities undertaken by AUO included two presentations at financial management workshops. These sessions provided rich interaction with project staff, not only in the area of corruption and fraud awareness, but also in terms of other potential outreach initiatives. AUO also redesigned both its anticorruption intranet and its internet sites to provide better information and links to other relevant pages, such as the list of entities debarred by IFAD and by other international financial institutions.
31. AUO continued to provide advice to staff regarding potential fraud or corruption in various projects. During both preliminary assessments and active investigations, AUO was able to cooperate and coordinate actively with PMD to prevent further risks. At the close of several cases, AUO issued a number of reports on management implications and control weaknesses.
32. AUO will actively promote its anticorruption agenda in 2014, starting with presentations at a regional procurement learning event and at the IFAD Global Staff Meeting. AUO will also target other events that bring together IFAD staff from country offices and project staff from all regions, with as many as 100 staff in

attendance in some cases. Project start-up workshops will receive similar attention. This will significantly increase AUO's outreach and provide an opportunity to exchange information and ideas with IFAD and project staff in the field. This means of communication will also encourage an open and honest exchange and enable AUO to better understand the specific challenges faced in the field and how best to address them.

## **Other and external activities**

33. AUO hosted the fourth annual joint session of the Rome-based agencies' oversight functions, which was attended by all internal oversight staff of the three agencies. This year's event was expanded to include external speakers and presentations. The meeting identified actions to stimulate and sustain interaction and knowledge sharing and these are under implementation. An AUO investigation officer represented AUO at the annual Conference of International Investigators. These events are key opportunities for interaction to help establish and maintain connections within the investigation and audit professions and keep IFAD abreast of best practices and developments in the United Nations system, among international financial institutions and within the profession in general.
34. In order to continually improve AUO's interaction with its stakeholders and ensure that external and internal parties are aware of its work, the AUO intranet and internet sites were improved and expanded in late 2013 (see: [www.ifad.org/governance/anticorruption](http://www.ifad.org/governance/anticorruption)).