



2015 Annual Report on Investigation and Anticorruption Activities

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Summary

1. The Office of Audit and Oversight (AUO) and its Investigation Section (IS) contributed to institutional risk mitigation in 2015 through its review and/or investigation of 57 complaints of irregularities, through improvements in the investigations and sanctions processes and through anticorruption awareness activities. It was a challenging year due to the high volume and complexity of new complaints; a range of reforms to implement; and key staff changes early in the year. Significant additional budget support provided by Management allowed for the engagement of external expertise and ensured that the investigative work was conducted with the required independence and without limitations in scope.
2. The number of open investigation cases reached its lowest point at the end of 2014 with eight open cases. This scenario changed in 2015 with 49 new cases received – the highest overall intake of new cases by AUO to date. Consequently, the 2015 AUO investigative caseload consisted almost entirely of issues reported to AUO throughout the year. Given the normal investigative process duration, the complexity of many of the new cases and the staff turnover in the investigations team, 29 cases were still open at the end of the year. AUO is actively working towards significantly reducing this backlog by mid-2016.
3. There was a significant increase in the number of both staff-related and external cases in 2015. The incidence of new allegations is influenced by many factors and is not predictable. The increasing trend in project-related cases could be an indication that the anticorruption outreach activities of AUO in recent years are having an effect.
4. The reform of the IFAD investigation and sanctions processes continued, with the implementation of several recommendations included in the final report issued in 2015 of the external review of IFAD investigative and sanctions processes. Revised procedures and templates were drafted with the help of experts from the World Bank and the United Nations community, and the related action plan is expected to be completed by mid-2016.
5. AUO was provided with significant additional financial resources to meet the increased capacity requirements. The Office of the Inspector General, World Food Programme, was particularly supportive in assisting AUO in filling the staffing gaps by agreeing to the secondment of a senior investigator to AUO during the year.

AUO investigation mandate and method

6. AUO is mandated to investigate alleged irregular practices, namely: (i) fraud and corruption involving entities, contractors and non-staff individuals applying for or participating in an IFAD-financed project or headquarters-related contract; and (ii) alleged staff misconduct, including harassment, abuse of authority, retaliation and conflict of interest. IFAD's investigation and sanction practices are aligned with best practices in this area in other United Nations agencies and the major multilateral development banks.
7. AUO/IS investigations are administrative in nature, with the objective of gathering 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.
8. 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 conclude 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: when a preponderance of evidence is found to refute the allegation(s).
9. 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 and prevention of corruption

Investigation caseload in 2015

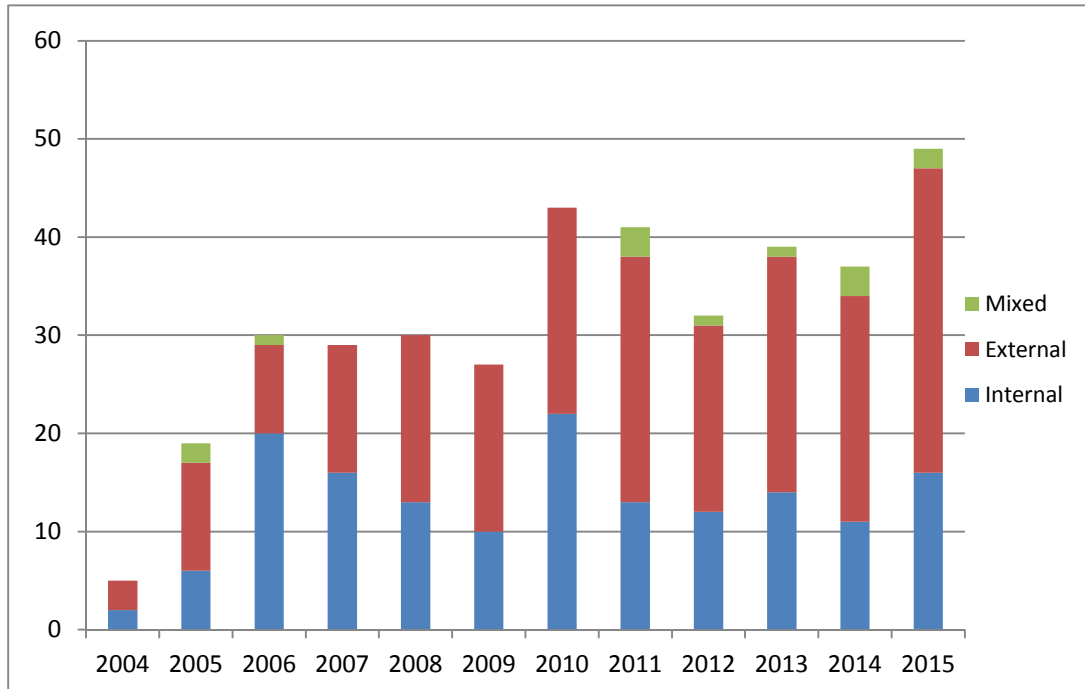
10. The number of pending investigation cases reached its lowest point at the end of 2014 with eight open cases, most of which were being processed for closure. This scenario changed in 2015 with 49 new cases received, including several complex cases that necessitated an intensive investigative effort. AUO handled 57 active cases in 2015. At the end of the year, 29 of these were still open, 27 of which were received in 2015.

Table 1
Active investigation cases in 2014-2015

	<i>Internal</i>	<i>External</i>	<i>Internal/ external</i>	<i>Total</i>
2013				
Cases pending at year-end 2013	4	15	0	19
2014				
Cases received in 2014	10	23	4	37
Total active cases in 2014	14	38	4	56
Cases closed in 2014	13	31	4	48
Cases pending at year-end 2014	1	7	0	8
2015				
Cases received in 2015	16	31	2	49
Total active cases in 2015	17	38	2	57
Cases closed in 2015	6	20	2	28
Cases pending at year-end 2015	11	18	0	29

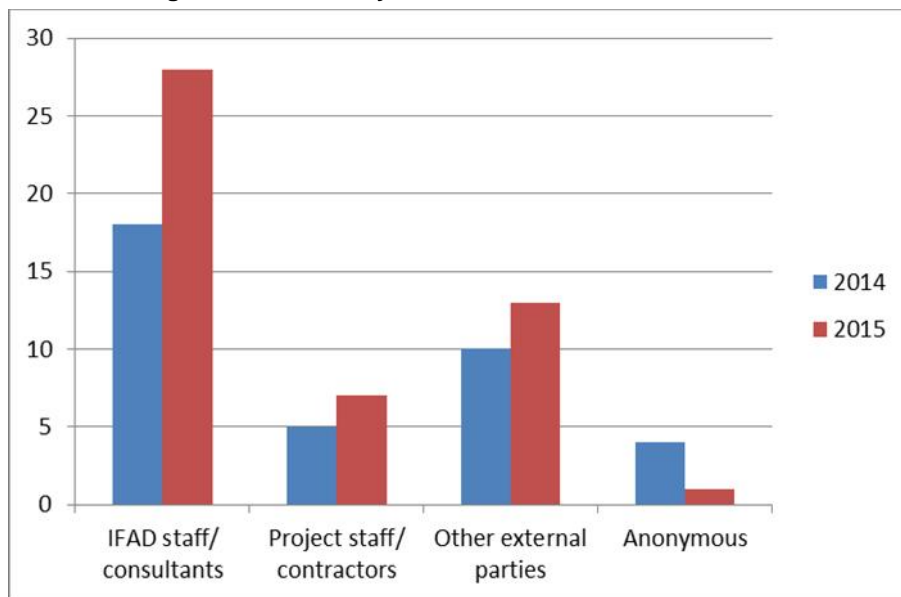
11. In 2015, there was a significant increase in the number of both staff-related and external cases – the highest overall intake of new cases by AUO to date (figure 1). Of the total internal cases received (16), five were referred by the Ethics Office (ETH).

Figure 1
Allegations reported to AUO 2004-2015



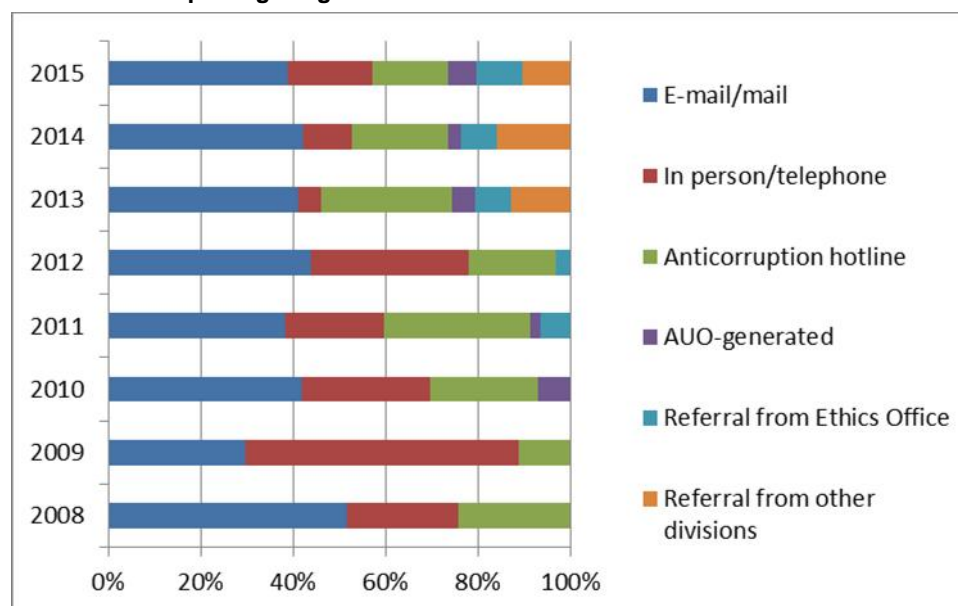
12. The incidence of new allegations is influenced by many factors and is not predictable. The increasing trend in project-related cases could be an indication that the anticorruption outreach activities of AUO in recent years are having an effect.
13. Source of allegations. The source pattern in 2015 reveals an increase in the number of complaints referred to AUO by IFAD staff and consultants and a decrease in the incidence of anonymous complaints (figure 2).

Figure 2
Source of allegations received by AUO 2014-2015



14. In 2015, there was a slight increase in cases reported in person, and a slight decrease in cases reported through IFAD's anticorruption website/e-mail (figure 3).

Figure 3
Channels for reporting allegations 2008-2015



15. 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 are categorized as external cases. Of the 49 allegations received in 2015, 31 were external, 16 internal and 2 mixed (table 2).

Table 2
Nature of allegations received 2014-2015

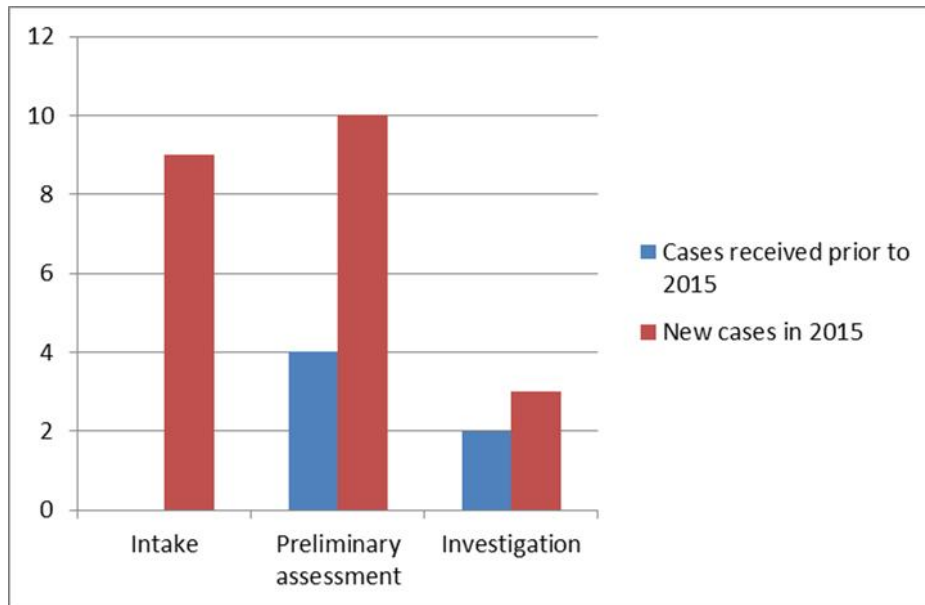
Nature of allegation	2014	2015
External		
Fraudulent practices	10	7
Corruption (including collusion and coercion)	4	8
Mixed (fraud and corruption)	7	10
Other irregular practices	2	6
External/internal		
Fraudulent practices	-	2
Corruption (incl. collusion, coercion)	1	-
Mixed (fraud and corruption)	2	-
Internal		
Harassment/abuse of authority/retaliation	3	12
Fraudulent practices	2	-
Corruption (incl. collusion, coercion)	2	-
Other misconduct	4	4
Total	37	49

16. The main trend evident from the data in table 2 is a significant increase in corruption-related allegations in projects and in workplace harassment-related complaints involving staff.

Investigations closed in 2015 and sanctions imposed

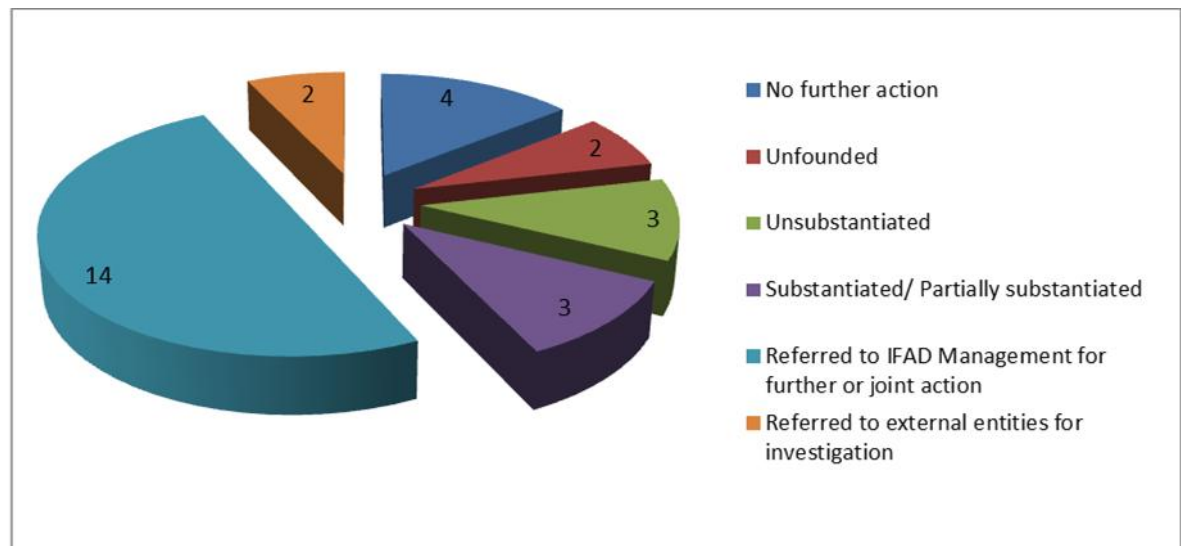
17. During 2015, AUO completed its work on 28 cases, six of which were carried forward from 2014 (figure 4).

Figure 4
Cases closed in 2015 – phase at closure



18. Figure 5 shows the disposition of the 28 cases closed in 2015.

Figure 5
Cases closed in 2015 – case disposition



19. In conformity with its mandate, in April 2015 the Sanctions Committee reviewed all cases closed by AUO during 2014.
20. As indicated in figure 4, nine cases were closed at the intake phase (all from 2015). This usually means that although the complaint received by AUO alleged some wrongdoing, the reported issue was not a sanctionable violation of IFAD rules or the anticorruption policy, or AUO did not have jurisdiction to investigate the matter. Fourteen cases were closed after a preliminary assessment was performed. This is usually the case when additional enquiries show that the allegation is not credible, material or verifiable. This stage usually involves witness interviews (at least with

the complainant, if accessible/cooperative, to clarify the allegation) and a review of relevant documents. Five cases were closed after a full investigation. Details on the outcomes of closed cases are provided below.

21. Cases leading to sanctions, disciplinary or corrective measures. In 2015, two cases were submitted to the Sanctions Committee:

- One case involved allegations of harassment and creation of a hostile and intimidating work environment by an IFAD staff member. Based on the conclusions of AUO and the assessment and recommendations of the Sanctions Committee, the staff member was deemed to have made insufficient managerial effort to maintain a positive work environment. Appropriate disciplinary and remedial measures were applied for this staff member.
- Another case involved allegations of corrupt practices in procurement and contract management and abuse of project resources by project staff. The evidence gathered by AUO provided strong indications of a corruption scheme involving the solicitation of bribes for the awarding of contracts and coercive practices by threatening to withhold payments due to contractors. Based on these findings, the Sanctions Committee decided that: (i) the matter should be formally referred to the appropriate authorities of the Member State concerned for a full investigation; and (ii) the involved project staff would no longer be involved in IFAD-related activities unless fully cleared by a national inquiry. These decisions were formally communicated to the Member State by the Programme Management Department (PMD).

22. Cases that did not lead to sanctions

Cases closed at intake

- All nine cases closed at intake were external and related to attempted misuse of IFAD's name or assets or to contractual disputes in relation to IFAD-financed projects. After ascertaining that the reported issues did not fall under AUO's investigative mandate, AUO closed the matter or referred these cases to the relevant PMD division or the Office of the General Counsel (LEG) to be dealt with under the functional mandates of these divisions.

Cases closed after a preliminary assessment

- AUO assessed the internal investigation process undertaken by an IFAD recipient and coordinated follow-up actions in relation to corruption allegations in an IFAD loan/grant-funded project. As a result, the recipient cancelled and relaunched the tender, valued at approximately US\$1 million; introduced tighter controls in relation to the use of the IFAD funding; and dismissed the procurement officer.
- A procurement fraud allegation in an IFAD-funded project was closed after IFAD Management and national authorities took several steps to address the issue, i.e.: replaced the project director; suspended the grant financing of the project and disbanded the project coordination unit; launched an investigation by a special commission; and requested that the Government reimburse the expenditure amount deemed ineligible.
- An allegation of collusion in relation to the appointment of a project coordinator was assessed to be credible and transferred to Management, with a recommendation that IFAD withdraw its "no objection" to the appointment and formally request an independent internal investigation and share the results with IFAD Management. These actions are currently in progress.
- An NGO alleged fraudulent withdrawals of IFAD-related funds and subsequent collusion with project staff. AUO did not find any indication that would lend credibility to the allegations of fraud and embezzlement, but noted that the complainant had been investigated by national authorities and was found to have mishandled funds and breached contractual obligations. Given the low

credibility of the complainant and the existence of a local investigation, AUO referred the matter to PMD to be followed up as part of their supervisory duties.

- A complaint relating to corrupt practices by staff of an implementing partner for an IFAD project was referred to the counterpart authorities for further investigation. The complaint was closed after the collapse of the national government, destruction of pertinent records and prolonged suspension of IFAD activities in the country.
- Two project-related corruption allegations were closed because the complainants ceased to cooperate with AUO, and AUO's validation checks lent no credibility to what was initially reported.
- A personal services contractor, assigned to full-time IFAD service through a contract with another United Nations agency, was alleged to have falsified a document to obtain improper benefits. This was substantiated through joint actions with the other agency. The person concerned was removed from engagement with IFAD and was required to refund any improper benefit obtained. His/her contract with the other agency was terminated.
- A fraud allegation against an IFAD staff member referred to AUO by another United Nations agency was closed after preliminary enquiries by AUO confirmed that the alleged fraudulent action did not take place.
- A complaint against a staff member for inappropriate contact with national authorities was closed after AUO confirmed that the complaint was based on a misunderstanding on the part on the complainant.
- An allegation of a staff member having an undisclosed improper relationship with a consultant under his/her supervision was closed after AUO assessed this matter as neither credible, material nor verifiable.
- An allegation against two staff members of failure to observe IFAD's standards and rules and of engaging in an activity without authority was closed after AUO found that the alleged acts constituted performance issues rather than misconduct.
- An allegation of misuse of a presumed association with IFAD to carry out an employment scam was transferred to Management (LEG) to potentially pursue through legal means, after ascertaining that the alleged acts did not involve any IFAD funds or activities.
- AUO investigated an alleged fraud in relation to an ex-staff member's financial dealings with the Fund. After confirming the reported circumstances and identifying the control lapses that had permitted the external fraud (which involved no loss to IFAD), AUO referred the matter to Management to handle through legal means and issued recommendations that led to the adoption of robust controls and mitigation measures.

Cases closed after a full investigation

23. In addition to the investigations that resulted in sanctions or corrective measures, AUO completed three full investigations that did not result in a finding of misconduct or breach of the IFAD anticorruption policy.
 - An allegation of corruption in a project cofinanced with another international financial institution (IFI), received in 2012, was pursued initially through a joint investigative mission with limited success. In 2014, it became clear that the alleged corrupt practices related exclusively to the component of the project funded by the other IFI, and it was decided that the other IFI would handle the remaining investigative steps. In 2015 the other IFI informed AUO that, due to mandate limitations, they had referred the matter to national law enforcement agencies for further investigation. In the meantime, IFAD took action to shield

the unspent loan funds from the impact of any irregular actions by cancelling the loan component that could potentially be exposed to such practices.

- An allegation was received that a staff member had submitted fraudulent health insurance claims. The evidence gathered by AUO was not sufficient to substantiate the allegation.
- An allegation was received that a staff member was involved in activities that conflicted with his/her role in IFAD. The investigation did not find evidence to substantiate the allegation, but AUO recommended and Management adopted specific measures to mitigate any real or perceived risk.

Reform, outreach and cooperation

Reform of IFAD's investigative and sanctions processes

24. As previously reported, an external review of IFAD's investigative and sanctions processes was conducted in late 2014. The external experts issued their report in January 2015, arriving at positive conclusions regarding the current operation of these processes and making recommendations to integrate recent best practices into IFAD's investigative and sanctions framework.
25. An action plan was put in place to implement the accepted recommended actions. The time frame set by Management for implementation of most of the recommendations was 2015 and significant progress has been achieved to date. Several recommended actions were implemented and revised drafts of all relevant internal procedures and manuals were produced to address the remaining recommendations. This effort involved meetings with all internal stakeholders and further benchmarking with best practices of peer institutions. Management is currently reviewing the drafts. The recommended actions are expected to be completed during the first semester of 2016. The completion time frame was adjusted largely because of staffing and management changes in the main divisions involved in the reform actions (Human Resources Division, ETH, AUO and PMD) during the latter part of 2015.
26. In 2015, AUO carried out a first proactive procurement review in relation to a country portfolio, in coordination with the Asia and the Pacific Division (APR) and the Controller's and Financial Services Division (CFS). The review of procurement handled by an implementation partner agency aimed to proactively address heightened corruption risks. The outcome was positive in that the review confirmed that progress had been made by the agency in mitigating corruption risks. Recommendations were made and taken on board to address the remaining concerns. Some potential risks noted during the review are being looked into by APR and AUO.

Outreach and cooperation

27. The heavy investigative workload and staffing changes limited the involvement of AUO staff in 2015 in outreach activities. AUO presented the outputs of its work to IFAD Management committees and made anticorruption presentations in the context of corporate staff and Executive Board induction events. AUO staff attended and contributed to the main annual audit and investigation network events of the United Nations and IFI community and joint training activities, together with the staff of other United Nations agencies.
28. Collaboration with the internal oversight offices of the Food and Agriculture Organization of the United Nations (FAO) and World Food Programme (WFP) was further strengthened in 2015, including:
 - Joint investigation by the Rome-based agencies (RBAs) of matters affecting more than one agency;

- Cross-agency capacity support through staff secondments. (IFAD benefited from two key staff secondments in 2015: a senior WFP investigator on a four-month secondment and a senior WFP audit officer on a six-month secondment);
- Joint training through inclusion of RBA staff in most training activities organized by the oversight offices of each agency;
- An annual professional updating and coordination meeting involving all RBA internal oversight staff, and periodic RBA coordination meetings held by heads of the oversight, audit and investigation units;
- Technical consultation and support, including expert input into recruitment exercises for internal oversight positions in other agencies.

Staff and resources

29. AUO has three staff positions fully assigned to investigative work. Total AUO resources devoted to investigative work in 2015 amount to an estimated US\$1 million. This figure includes staff costs and additional resources provided to AUO to engage additional capacity in the investigative area.
30. The AUO Senior Investigation Officer left IFAD for another United Nations agency in early 2015, and a professional investigator at the same level was seconded from WFP for a four-month period. Significant additional support was also required throughout 2015 in the form of consultants and temporary staff to deal with the increased workload. The position of Senior Investigation Officer was upgraded to that of Investigation Manager. A suitable candidate was recruited and joined AUO in February 2016.