

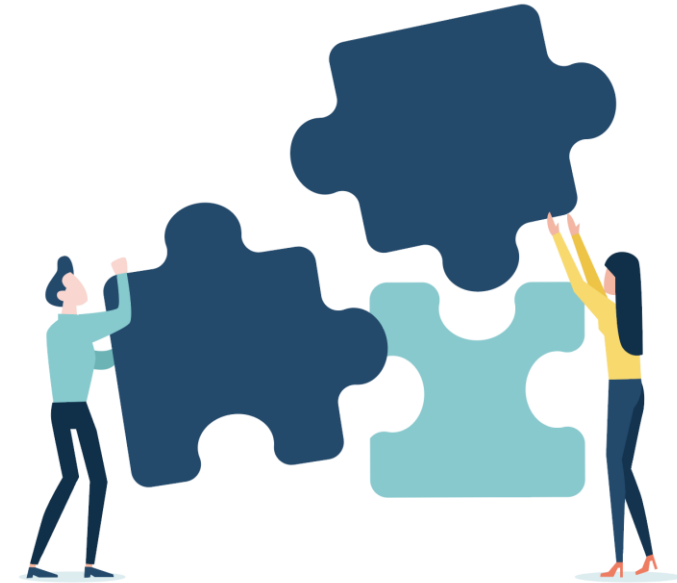


## **Anti-Fraud and Anti-Corruption (AFAC) Awareness for Cooperating Partners**

Partnering in addressing fraud & corruption risks

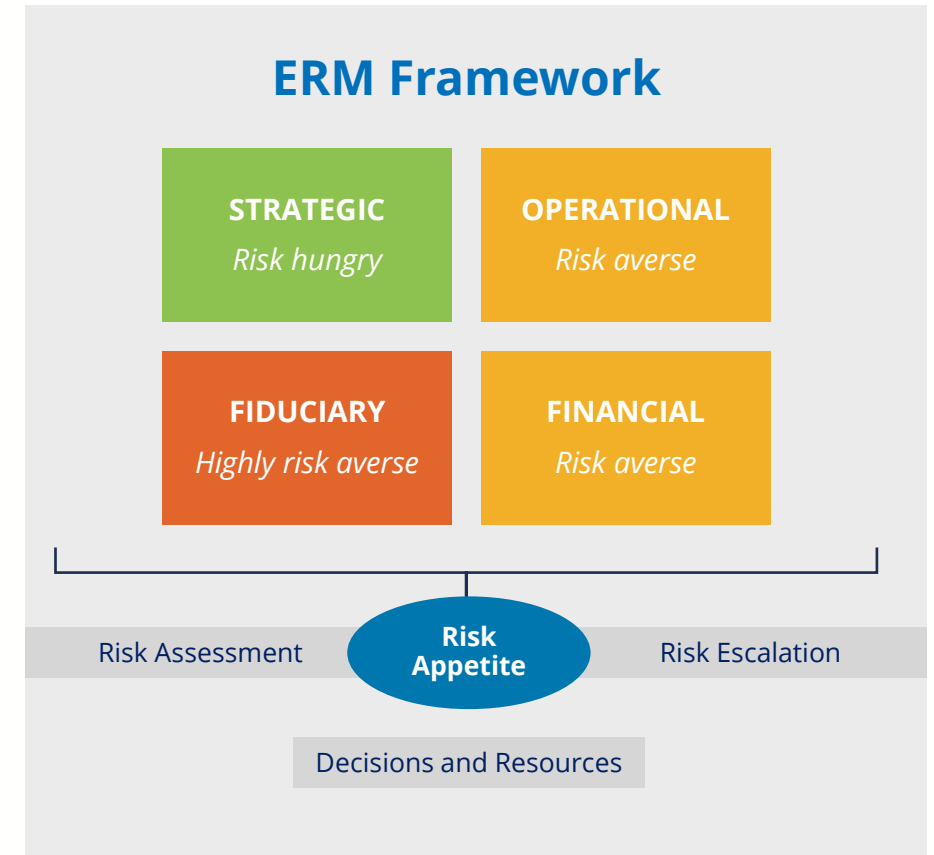
# Leveraging on Partnerships for Better Fraud Risk Management

- **Successful delivery model** – Partners make valuable contributions in the delivery of WFP programmes.
- **WFP recognizes** that value can also be derived from collaborative management of risks in its delivery chain.
- **With respect to fraud & corruption**, WFP will continue to be transparent about its standards and expects its partners to comply with AFAC clauses in the FLA.
- **In addition**, WFP is seeking to become aware of actions which partners are taking to mitigate fraud and corruption risks.



# WFP's Risk Appetite Framework for all risks

- Fraud and corruption risks are part of WFP fiduciary risks – highly risk averse
- Understand the fraud risk exposure and need for controls
- Partners should consult with WFP office if unable to apply a control





# Presentation Outline

1. What are Prohibited Practices?
2. Why focus on AFAC?
3. Why does fraud and corruption happen?
4. WFP standards in relation to AFAC
5. Recommended best practices



# What are Prohibited Practices?

1. Fraud
2. Corruption
3. Theft\*
4. Collusive Practice
5. Coercive Practice
6. Obstructive Practice
7. Financing of Terrorism
8. Money Laundering



\* **Looting** fits the definition of 'Theft' as defined in the 2021 Revised Anti-Fraud and Anti-Corruption Policy and is therefore considered a Prohibited Practice which must be reported under the Policy.

# Which of these is... theft, fraud, corruption...?

**IDENTIFY**

## 1. Claiming travel expenses for a trip you did not go on.

**FRAUD** means providing false or misleading information for personal gain.

1. Fraud

## 2. A supplier buys an expensive gift to a procurement officer. The procurement officer then awards a contract to the supplier.

**CORRUPTION** is giving or receiving something of value to improperly influence the actions of another.

2. Corruption

## 3. A WFP employee taking packages of food for personal use.

**THEFT** means taking anything of value that belongs to another party, without permission.

3. Theft

# Which of these is... a collusive, coercive, obstructive practice...?

**IDENTIFY**

4. CP staff member destroying documentation upon learning that an investigation requiring access to the documentation has been initiated.

4. Obstructive Practice

An **OBSTRUCTIVE PRACTICE** refers to the deliberate interference with investigations into Prohibited Practices.

5. Vendors participating in a competitive tender process engage in price fixing ahead of submitting their bids.

5. Collusive Practice

A **COLLUSIVE PRACTICE** refers to an agreement or cooperation to achieve an improper purpose.

6. A manager threatens to provide a negative performance appraisal to employees who refuse to participate in fraud.

6. Coercive Practice

A **COERCIVE PRACTICE** refers to using force or threats to get someone to do something that they would not otherwise do.

# Which of these is... financing of terrorism, money laundering...?

**IDENTIFY**

7. A private sector donor involved in criminal activities may earmark funds so that they are channelled to associate vendors or CPs.

7. Money laundering

**MONEY LAUNDERING** is the process by which a person conceals or disguises the identity or disguises the identity or the origin of illegally obtained funds.

8. Transferring food to an entity sanctioned by the UN Security Council, with the knowledge that the food will be used to support activities of the entity.

8. Financing of terrorism

**FINANCING OF TERRORISM** is the provision of resources to entities sanctioned by the UN Security Council.



## Why focus on AFAC?

The consequences of "not acting" are wide and far reaching

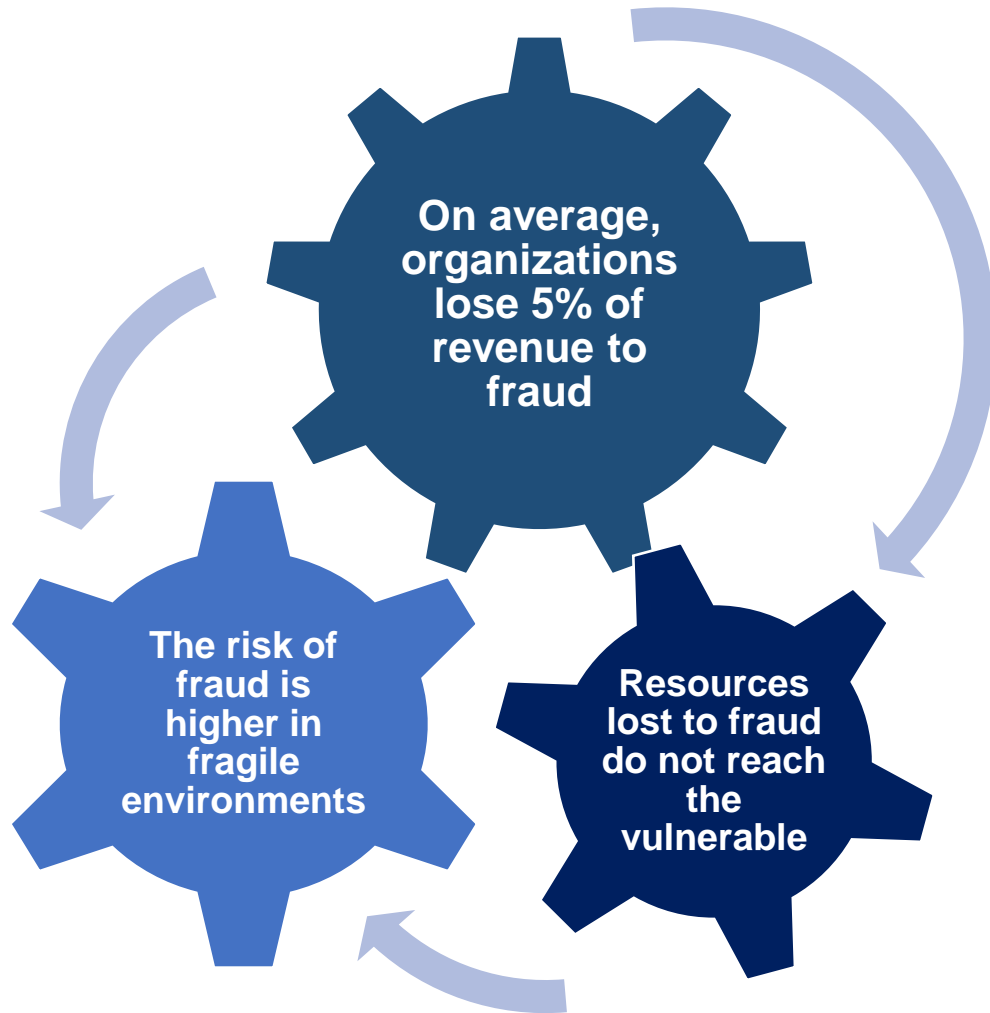


*"As humanitarians, we need to be able to reach the most vulnerable women, men, and children unimpeded and without diversion. **We have to do more to ensure every food ration or cash payment reaches our intended beneficiaries and those in greatest need.**"*

- Cindy McCain, Executive Director

Date: 26/06/2023

# Why focus on AFAC?



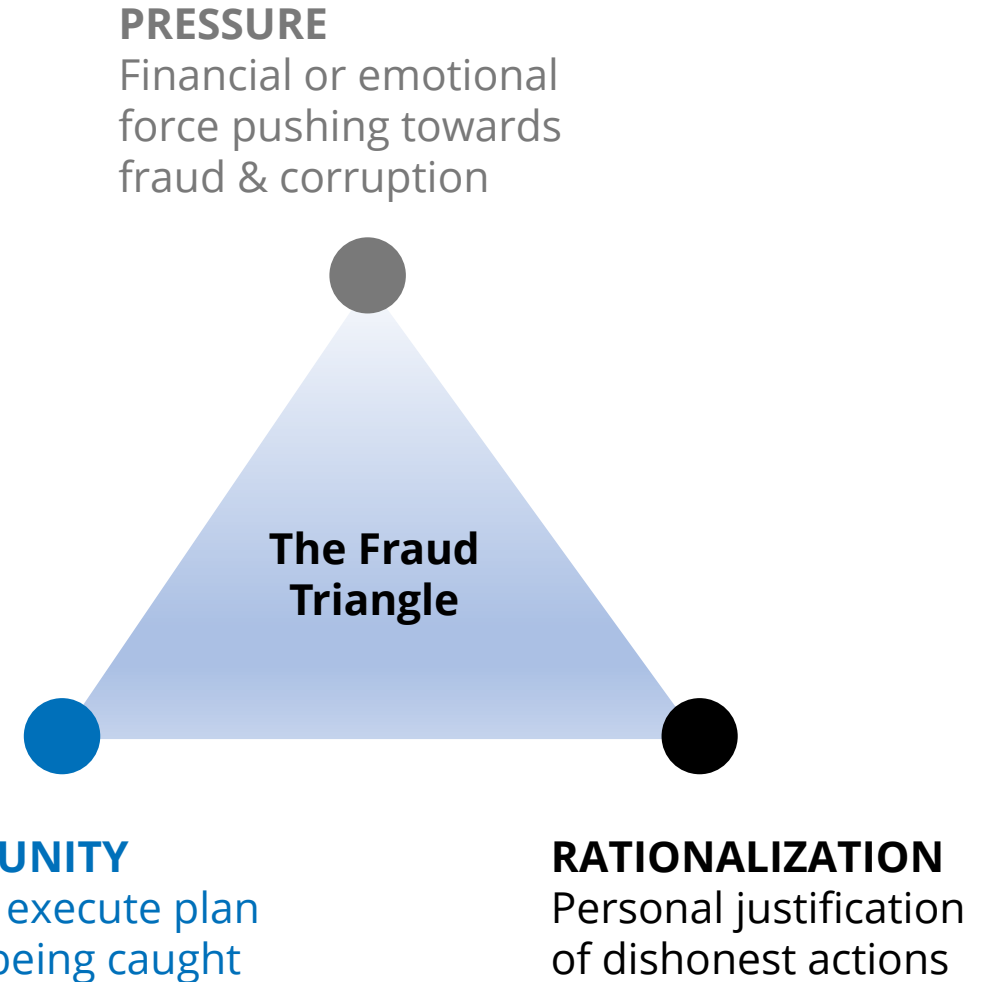
- **For beneficiaries, it means** lives not changed or not saved.
- **For WFP and its partners, this means** decreased productivity, low staff morale, investment of time and money into investigations and remediation, reputational damage and loss of donor confidence.
- **For our employees,** increased scrutiny, decreased trust and the need to clean up after a mess.
- **For perpetrators,** termination of contract, jail terms, pressure of concealing fraud & corruption.

# Why does fraud and corruption happen?

If we know why...then we may get insights on how to prevent Prohibited Practices

# Why does fraud and corruption happen?

1. Money problems
2. Pressure to deliver
3. Need for social status/class
4. Greed
5. Lack of accountability
6. Lack of or inadequate internal controls
7. “Everyone Does It” Syndrome
8. Failure to sanction violators – “nothing will happen to me”
9. Failure to encourage high integrity in CP officials





# WFP standards in relation to AFAC


Governed by the WFP AFAC Policy



# AFAC Policy – Scope

## THE POLICY APPLIES TO:

- **All activities and operations of WFP, including:**
  - any project funded by WFP; and
  - any project implemented by WFP
- **All WFP employees**
- **Contractual arrangements between WFP and Cooperating Partners (CPs), vendors or other third parties**
- **Other third parties** (donors, beneficiaries)



World Food Programme  
Programme Alimentaire Mondial  
Programa Mundial de Alimentos  
برنامج الأغذية العالمي

SAVING LIVES  
CHANGING LIVES

**Executive Director's Circular  
(ERM Division)**

Date:	01/07/2021
Circular No.:	OED2021/012
Revises:	
Amends:	
Supersedes:	OED2015/019

**WFP Anti-Fraud and Anti-Corruption Policy and Related Guidance**

# AFAC Policy: Roles and Responsibilities

PREVENT &  
RESPOND

WFP has outlined in your contracts some basic steps that cooperating partners, vendors and other contracted third parties can take immediately to lessen vulnerability to fraud and corruption. **Any breach of the policy may lead to termination of the agreement.**

1

## COMMUNICATE REQUIREMENTS OF THE AFAC POLICY

Communicate the principles and guidelines covered in this policy to your employees and contractors.

2

## PREVENT PROHIBITED PRACTICES

Take reasonable measures to ensure that CP staff and contractors do not engage in fraud, corruption, theft, collusive, coercive and obstructive practices, financing of terrorism and money laundering.

3

## REPORT FRAUD AND CORRUPTION

**Promptly** report any **reasonably suspected case** of fraud and corruption, or any attempts thereof, to WFP.

4

## SUPPORT INVESTIGATIONS

Cooperate with the investigation process – provide any information required to resolve detected fraud and corruption while maintaining confidentiality and allow the process to take its course.

# WFP Channels for Reporting Fraud and Corruption

## How to Report – to Office of Inspections and Investigations





 **Website:** <http://www.wfphotline.ethicspoint.com>

 **E-mail:** [InvestigationsLine@wfp.org](mailto:InvestigationsLine@wfp.org)

1. New hotline launched in Sep 2021
2. Available external parties
3. Accessible worldwide and free of charge
4. Anonymous reporting available
5. See [EthicsPoint FAQs](#) for more information
6. Reporting provisions in agreement

## How to Report – to CO management

**Through any means of communication you prefer, such as:**

-  **By email** [CO to insert email]
-  **By phone** [CO to insert phone number]
-  **In-person meeting** [CO to insert focal point]
-  **By WFP CFM** [CO to insert CFM contact point]

# Recommended AFAC best practices

What can be done to provide assurance on AFAC?



# AFAC best practices for CPs to have in place

- Regular AFAC awareness and training
- Reporting procedures: confidential reporting mechanisms for CP employees to make complaints internally and escalation procedure to WFP
- Channeling fraud related matters from beneficiary complaints feedback mechanisms into the reporting process
- Conflict of interest policy: employees required to declare potential or existing conflicts of interest
- Due diligence and background checks: for employees, vendors and sub-partners
- Act on fraud red flags: behavioural, documentary, transactional or others



## AFAC best practices for CPs to have in place (continued)

- Develop standard operating procedures with controls designed to prevent fraud e.g., sufficient segregation of duties
- Fraud risk assessment: upfront identification and analysis of fraud risks followed by implementation of mitigating controls
- Disciplinary procedures: taking swift action against perpetrators including recovery of stolen funds/assets
- Code of conduct: setting out organization's values and behaviour expectations
- Tone at the top: strong senior management support in promoting an AFAC culture



# THANK YOU

For your attention

**RMD** | Risk  
Management  
Division

## FRAUD AND CORRUPTION REPORTING CHANNELS:

### 1. Office of the Inspector General:

- via [InvestigationsLine@wfp.org](mailto:InvestigationsLine@wfp.org)
- <http://www.wfphotline.ethicspoint.com>.

### 2. CO CONTACTS:

- CO management [insert contact details]
- CO CFM [insert contact details]

**To be inserted on a case-by-case basis**

**ANNEX – Additional slides**

# Case Scenario 1

A highly contagious disease has broken out in Country X. WFP enters into a contractual arrangement with the BestPartner to provide food assistance to identified beneficiaries. An employee of BestPartner works as a warehouse manager in Country X. The warehouse manager's responsibilities include receiving food from WFP contracted transporters (vendors) and subsequently distributing the food to beneficiaries.

A transporter approaches the warehouse manager and proposes to sell some of the WFP food stock to a local supplier and to split the proceeds. Upon receiving short-delivered commodities of food, the warehouse manager records the full GRN quantity and submits it to his or her supervisor.

To conceal the missing amount, the warehouse manager starts rotating food distribution between beneficiaries so they get food every other month. No spot-checks of the warehouse or reconciliations of goods with inventory records are being carried out by BestPartner. After a couple of months, WFP learns through its Community Feedback Mechanism that a large group of beneficiaries are not getting their food monthly.

**CORRUPTION,  
FRAUD, THEFT and  
COLLUSION**



## Case Scenario 2

The CP Finance Officer is in charge finalizing the FLA budget for submission to WFP.

The CP Finance Officer is in a hurry and, by accident, adds a zero to a budget line on training expenses.

WFP does not notice the unusually high training expense and accepts the Cooperating Partner's budget.

WFP and the CP enter a one-year FLA

The CP Finance Officer subsequently discovers her mistake and immediately discloses it to WFP. WFP and the CP take corrective action by adjusting the budget to reflect reality in an amendment to the FLA.

**ERROR**

## Case Scenario 3

The CP Finance Officer from Case Scenario 2 realizes her mistake three months after the conclusion of the FLA, when some of the training expenses are due for reimbursement from WFP.

The CP Finance Officer thinks that no one noticed the error and no one will notice if she collects the funds for personal use. By doing this she will also cover up for the initial mistake in the budget.

She therefore calls her close friend working for the training service provider. The friend agrees to issue an invoice for a share of the funds, the new invoice will match the higher cost of the training as contained in the budget.

WFP reimburses the invoice as it doesn't trigger any red flags (value matches the budget line).

**FRAUD and  
COLLUSION**