

PREVENTING CORRUPTION IN HUMANITARIAN OPERATIONS
HANDBOOK OF GOOD PRACTICES

SECTION II
**PROGRAMME
SUPPORT
FUNCTIONS**





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SECTION II PROGRAMME SUPPORT FUNCTIONS

The following section of the handbook addresses specific corruption risks faced by the programme support functions that underpin humanitarian operations. Research on perceptions of corruption risk in such operations indicates that much corruption seems to occur within programme support functions, particularly procurement and finance – corruption generally ‘follows the money’. Most humanitarian agencies have relatively strong procurement and finance systems, yet cases of corrupt diversion still occur. This section recommends ways of further strengthening those systems against it.

There is often considerable scope for the distortion of human resources policies owing to nepotism and cronyism: the recruitment and deployment of temporary staff during emergencies is a particular source of risk. The supply chain for goods and services, including fleet management, can also be subject to corrupt diversion.

It is important that despite pressures for speed at the onset of an emergency, robust operating systems be put in place as soon as possible. This section outlines specific measures that will help prevent corruption in the support functions essential to any emergency response, and how those measures relate to and work against corruption. It does not aim to explain all the general principles of good HR or procurement practice, for example, but it does show how some of those principles relate to preventing corruption. (There are operating manuals among the reference materials that cover the general principles of good practice in each programme support area.)

Much of this section is most relevant for field staff, but it’s important that managers at HQ are aware of both the corruption challenges field staff face and the tools that could help deal with corruption risks in their particular roles. Therefore the handbook’s job-specific sub-sections – such as supply chain or finance – are relevant not just to specialist practitioners. A programme manager needs to know the corruption risks his logisticians face, for instance. And all managers, whatever their discipline, should know about preventing financial fraud and corrupt HR practices.

As with Section I, these processes complement each other and need to be viewed as a comprehensive system in order to maximise their effectiveness in addressing corruption risks.

FINANCIAL CONTROLS BEYOND THE 'PAPER TRAIL'

CASE STUDY

In February 2008, an auditor from the Norwegian Refugee Council HQ made a timely visit to the agency's programme in Liberia and carried out spot checks. A cash count at a field office with no available bank service and where large cash transactions were commonplace, revealed that almost US \$60,000 was missing from the cashbox. The agency reported the matter to the Liberian police as soon as it was confirmed that the cash could not be accounted for. The police investigation eventually tracked down the theft to a locally-employed finance officer, who had stolen the money over several months by falsifying cash count forms after they had been signed by the programme manager. A rising star within the organisation, he had taken advantage of lax control mechanisms and the excessive confidence management showed in him. The investigation revealed his actions could easily have been spotted – he hadn't even produced false invoices to cover his tracks – highlighting the value of management oversight and strict financial controls in preventing corruption.

But it's not enough for an agency simply to check whether paperwork is in order. Catholic Relief Services (CRS) placed its trust in a partner in West Africa, whose financial reports (including procurement support documentation) were always fully compliant with written regulations. The partner organisation invoiced CRS for pharmaceuticals it distributed and, as required, provided bid details from three suppliers and the evaluation of those bids. The agency only learned by accident that its partner was receiving the medicines in-kind from another donor. A subsequent investigation revealed that the partner was charging CRS for the drugs and using the cash it received without recording it in its books. Its procurement documents did include three bids on separate letterheads, but all were falsified and from the same source. When auditors placed the documents on top of one another and held them up to the light, the wording and figures aligned exactly. All had been printed on the same printer, using identical language – a precious lesson in the importance of audits that dig beneath the paperwork and of interagency coordination when working with partners.

CASE STUDY

BUILDING ON LESSONS LEARNED IN ACEH

More than a year after the 2004 tsunami, which left an estimated 500,000 people homeless in the Indonesian province of Aceh, many thousands of families were still living huddled in tents. Instead of settling into sturdy new homes, they were victims of the corruption which devastated the housing programmes of aid agencies such as Save the Children US.

Given the large amounts of money and materials involved, the construction sector is especially prone to corruption – from substandard materials and workmanship, the use of incorrect measures or the theft of materials, to kickbacks for contracts and bribery or bias in land allocation. Like many agencies, Save the Children had little experience in the sector and appointed corrupt contractors who erected flimsy housing, leaving it with hundreds of homes to rebuild. "The contractors were supposed to sink foundations up to 60cm," reported the Aceh Anti-Corruption Movement in 2005, "but they'd just propped wooden stilts on stones and dug no foundations at all. The timber was substandard and already warping."

When routine M&E revealed the shabby work, Save the Children immediately suspended construction while it investigated, issuing media statements acknowledging problems and promising to rectify them. The agency met with local communities and authorities, dismissed contractors and called in experts, establishing a multi-faceted team including experienced construction managers, architects and engineers. They worked closely with procurement staff, oversaw design development and programme monitoring, and verified on-site activities.

The episode also led Save the Children to strengthen anti-corruption measures beyond its Aceh construction programme. It devised a specific global construction policy, and its Indonesia office established its own ombudsman committee to receive and investigate corruption allegations of any type (with a confidential whistle-blower mechanism to protect informants), and hand down sanctions, such as termination of employment and police referral. Senior staff (including the country representative and head of internal audit) gave the committee clout. By December 2007, 44 cases had been investigated, 39 of which prompted either termination or prosecution. The committee's role includes building staff capacity to prevent and detect corruption. Key to its success is the fact that both HQ and field staff know how the ombudsman system works and welcome its existence.



MANIPULATED TENDER SPECIFICATIONS/ BIDDING DOCUMENTS

A. Corruption risks

Technical specifications for goods and services to be tendered may not be set impartially, but designed to favour or exclude certain suppliers – possibly as a result of bribery, coercion or conflict of interest. Bidding documents and terms of reference may be skewed to match the unique qualities of one particular supplier. The quantity of goods or services needed may be exaggerated to favour a supplier with a particular capacity. Tender specifications may be altered during the procurement process if a member of staff develops links with a particular supplier or is bribed.

B. Watch out for

- Specifications too narrow or precise, so that only one supplier can qualify
- Subjective criteria for evaluating compliance with specifications
- A contract split into multiple tenders just below the threshold for competitive bidding (requiring public advertisement)
- Contract amounts just below the threshold at which contracts must get senior management review
- Limited bid advertising
- Multiple or repeat contracts going to the same supplier or group of suppliers
- Bid deadlines that are unduly short; frequent justification of 'urgency' which may favour incumbent contractors
- Unjustified requests for 'sole-sourcing' (supplier selection without competition)
- Bids that are not sealed or are not opened publicly and simultaneously

C. Prevention measures

- **Use technical expertise to draft specifications**
Ensure tender specifications are drafted by technical specialists, not by procurement staff. If brand names are indicated in specifications, ensure that "or equivalent" is also stated in the specifications. Require that those preparing specifications sign a **conflict of interest** declaration. Have a written **gifts policy** and ensure all staff know and understand it.
- **Use standard specifications where applicable**
Prepare standard specifications for frequently used goods and services; update them regularly. Use Sphere sectoral standards to guide technical specifications. Use standardised bidding documents with identical information and procedures. Require that sample goods be submitted with bids, for technical staff to check against specifications.
- **Be clear that procedural violations are an offence**
Ensure staff know they'll face **sanctions** and disciplinary measures if involved in corrupt or non-transparent deals, including termination without benefits or legal action. Use debarment or legal action to sanction corrupt suppliers, but allow competing bidders to complain if they believe specifications are biased.

You'll need

- Access to appropriate technical staff with the required expertise.
- A comprehensive list of potential vendors.

Challenges

- Pressure from staff to set technical specifications themselves.
- Unjustified change orders to a contract after award to modify specifications.

Reference materials

GIACC and TI UK: *Anti-Corruption Training Manual (Infrastructure, Construction and Engineering Sectors)*, 2008.

Hees, Roslyn G., et al.: *Prevention of corruption in emergency procurement: an imperative for the humanitarian aid community*, TI, in "2007 International Aid + Trade Review", Berlin 2007.

Kostyo, Kenneth (ed.): *Curbing Corruption in Public Procurement*, TI, Berlin 2006.

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World Vision: *Competitive Bidding*, in "PUR02: Minimum Purchasing Policies and Procedures for National Offices and Reference Procurement Manual", chapter 3, section 1, 2006. (unpublished document)



SUPPLY CHAIN MANAGEMENT / PROCUREMENT

BID-RIGGING AND INSIDER INFORMATION

A. Corruption risks

Staff may initiate or be bribed or coerced into giving a potential supplier confidential or 'insider' information about the procurement process or about other competitors' bids. Or information may be withheld from some bidders. Bidder collusion or 'bid rigging' may occur among suppliers, alone or together with agency staff, in which the designated winner coordinates other participants' bids to ensure that the designated winner's bid is the lowest. The 'winner' may rotate among the group of bidders; they may ensure that all bids are above market price, or they may build a 'loser's fee' into their bids, which the winner shares to cover losers' bid costs.

B. Watch out for (see also [Prequalification](#), [Manipulated bid](#) evaluation)

- Repeated awards to the same bidder or group of bidders
- Contracts awarded to known friends or family of agency staff, or to companies where staff have a financial interest
- Contracts awarded under financing terms not the most favourable on offer
- Common patterns in bids, particularly where the same calculations, components or mistakes appear in multiple bids
- Conditions conducive to the formation of a price-rigging cartel (e.g. a small number of vendors who have close relationships with one another)
- Bids received in advance of the due date not stored in a secure location
- Bids opened in advance of the bid opening date
- Winning bids consistently being the last submitted or being altered at the last minute (indicating they were waiting for information about other bids)
- Winning bids being consistently just less than the next lowest bid, indicating that the bidder could have received details of other bids
- An employee consistently pushing for contracts to be awarded to one or a few suppliers, even though they may not have made the best bid
- Staff living above their means
- Staff having social relations or accepting private appointments with bidders
- Staff who are vague or evasive about their purchasing or contract awarding role and authority, or who resist publicising information on the procurement process

C. Prevention measures

- **Build ethical principles into procurement procedures**
Train staff in the value of open competition and ethical values (transparency, integrity and fairness) in procurement. Ensure they know that they may not be involved in a deal with family or friends; that they may not provide insider information to suppliers, and that they can't accept kickbacks, commissions, bribes or personal benefit of any kind.
- **Hire and train the right procurement staff**
Hire procurement staff on the basis of integrity, expertise and local knowledge (market dynamics, prices, cultural norms, supplier reputations). Run background checks on staff before hiring (to reduce conflicts of interest or cronyism) and hire people from diverse backgrounds, to reduce the risk of social networks being exploited corruptly. Give procurement staff specific [training](#), including in handling pressure to behave corruptly. Include experienced procurement staff in your ERT [surge capacity](#).

- **Ensure staff sign a code of conduct and a conflict of interest policy**
Make this a condition of employment. Ensure staff immediately disclose any real, perceived or potential conflict of interest. If an individual has a personal or financial interest in a supplier, they must immediately inform their supervisor and withdraw from the procurement process. Oblige staff to report suspected corruption or violations of standards of conduct (via a **whistle-blowing mechanism**). Have a policy forbidding staff from accepting **gifts** or hospitality from suppliers.
- **Make suppliers commit to integrity**
Insert a clause in bid documents that potential suppliers must not offer or promise staff anything of value, or future employment or business benefits. Neither must they submit false or misleading information regarding their qualifications or work practices, disclose bid prices to other suppliers or collude over price or other bid provisions.
- **Supplement financial audits**
Supplement financial **audits** with social audits or other **monitoring** and **accountability** processes, to detect cases of corruption that are invisible through simply examining accounting records.
- **Have clear sanctions and disciplinary measures**
Ensure staff know they'll face disciplinary action if involved in corrupt or non-transparent deals, including termination without benefits or legal action. Use debarment or legal action to sanction corrupt suppliers. Be sure to take disciplinary measures should findings indicate corrupt practices.

You'll need

- Time built into the procurement schedule for supplier vetting, market and price research, and review of the bid evaluation report for unusual bid patterns.
- **Whistle-blowing procedures** and protection for staff who report suspected corruption.

Challenges

- Difficulties in detecting and proving bid-rigging or the provision of insider information, which generally occur off the books.

Reference materials

Kostyo, Kenneth (ed.): *Curbing Corruption in Public Procurement*, TI, Berlin 2006.

Organisation for Economic Co-Operation and Development (OECD): *Enhancing Integrity in Public Procurement: A checklist*, Paris 2008.

PATH: *Developing Bidding Documents and Inviting Offers*, in "Procurement Capacity Toolkit: Tools and Resources of Procurement of Reproductive Health Supplies", 2nd version, chapter 6, 2003.

The World Bank: *Most Common Red Flags of Fraud and Corruption in Procurement*, n.d.

The World Bank: *Sanctions Reform*, 2009.



SUPPLY CHAIN MANAGEMENT / PROCUREMENT

BIASED SUPPLIER PREQUALIFICATION

A. Corruption risks

Suppliers may be invited to tender even if they don't meet prequalification criteria, or applicants who do meet criteria may be excluded on minor technicalities as the result of bribery. A supplier may bribe staff members (or they may offer, for a bribe) to ensure that key competitors are eliminated on artificial grounds. Staff may knowingly or unknowingly receive multiple bids by one supplier using different letterheads to force out legitimate competition. 'Phantom suppliers' or 'shell companies' may be created to meet minimum competitive bidder numbers, to receive fake contracts or to mask true ownership, disguising personal connections or supplier collusion.

B. Watch out for

- The same suppliers always prequalifying
- No street address or telephone landline given; only P.O. Box and cellphone numbers
- Semi-autonomous email addresses such as yahoo or hotmail
- 'Shell company' bidders with different company names but the same staff names, email and postal addresses, telephone or fax numbers
- The same calculations, errors, language, spelling, print style or typeface in bids under different letterheads
- The use of subsidiaries or affiliates to submit 'competing' bids
- Sequential bid document numbers, indicating documents may have been purchased in one batch by one vendor, for use by 'shell' or fake companies
- Limited advertising of tenders
- Unjustified shortcuts in minimum bidder requirements or deadlines
- Subjective prequalification evaluation criteria
- Requests for 'sole-sourcing' (without competition), based on unresponsive prequalification
- The most qualified bidder being declared 'unresponsive' in favour of a 'preferred' but less qualified supplier

C. Prevention measures

- **Set clear, objective criteria for prequalifying**
Give clear, robust prequalification requirements regarding capacity to meet technical specifications and supplier qualifications, that allow the objective evaluation of bidders' capabilities (but aren't narrow or tailored).
- **Implement checks and balances and the separation of duties**
Never allow a single person to carry out any stage of the procurement process (apply the 'four eyes' principle). Staff who decide prequalification criteria must be different from those who formulate the **technical specifications**, solicit and evaluate supplier offers and **decide the final award**. Rotate staff regularly so they can't develop improper connections with or dependency on particular suppliers. Ensure staff know they'll face disciplinary action if involved in corrupt or non-transparent deals, including termination without benefits or legal action.
- **Publicise your bid opportunity widely and in good time**
Call for prequalification widely and in plenty of time for applications, so a corrupt supplier can't be the only one to request prequalification. Ensure bid advertising isn't restricted so as to favour certain suppliers, and that there's no advance release of **insider information** to one

bidder. If deadlines or minimum bidder requirements are relaxed during **special emergency procedures** at the onset of a crisis, set clear criteria, including a time limit, for returning to normal procedures.

- **Cross-check evaluation methods and criteria**
At least one other staff member must approve a procurement officer's choice of prequalification criteria, criteria weighting and evaluation method, ensuring all are based only on technical needs. Include non-local staff, for an objective outside perspective. Disclose criteria in advance so bidders can complain if they think them inappropriate.
- **Thoroughly vet potential bidders**
Proper due diligence requires careful background checks on potential bidders, e.g. performance history, ownership, financial capacity, corporate facilities and reputation for integrity. Visit bidder offices and verify references. Create and disseminate a list of corrupt suppliers, debarring them from future bidding. Set up **pre-supply contracts** with vetted suppliers.
- **Build integrity requirements into the prequalification process**
Be clear that strict ethical behaviour is required, both during bidding and contract execution. Obtain in writing from suppliers a pledge to avoid corruption – specifically bribery, extortion, coercion, fraud or collusion. All bidders should provide integrity assurances and disclose any convictions or investigations into corrupt dealings. Use debarment or legal action to sanction corrupt suppliers.

You'll need

- Sufficient time and staff resources to carry out thorough supplier background checks against a predetermined checklist.

Challenges:

- Pressure to skip the prequalification stage, allow sole-sourcing or relax normal minimum bidder numbers and deadlines.

Reference materials

Kostyo, Kenneth (ed.): *Curbing Corruption in Public Procurement*, TI, Berlin 2006.

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UNOPS: *Procurement Manual*, 2007.



SUPPLY CHAIN MANAGEMENT / PROCUREMENT

MANIPULATED BID EVALUATION, CONTRACT AWARD AND CONTRACT EXECUTION

A. Corruption risks

Bribery, kick-backs, collusion or coercion can distort the process of supplier selection, which should be made competitively and transparently according to price and quality. Such corruption can lead to above-market prices or substandard quality of goods and services.

B. Watch out for

- Fees to intermediaries, agents or brokers for assistance in bid preparation or contract negotiation, which may be used for facilitation payments
- Unjustified delays in the procurement process that may indicate negotiation of corrupt terms or leave only one supplier who can meet the order in time
- 'Shadow bidders', i.e. a bidder who always puts in a slightly higher bid than the winner, to give the appearance of price competition
- Drastic changes in pricing from previous contracts
- Unusual bid patterns that could indicate collusion among bidders
- Repeat contract awards to the same supplier(s) or the lowest priced bidder being bypassed for a 'preferred' but costlier supplier
- 'Sole-source' contracts (awarded without competition) that aren't adequately justified
- Bidding processes based on direct negotiation with suppliers
- Contract amounts set just below review or competitive bidding thresholds
- Unjustified change orders to a contract after award to increase amounts or modify specifications
- Employees living above their means or being guarded about their purchasing or contract awarding authority

C. Prevention measures

- **Decide on and publicise criteria from the start**
Ensure coherence between the evaluation criteria specified in bid documents and those used to select a supplier. Publicise your evaluation method, objective criteria and their weighting before inviting bids, and never alter criteria without clear justification. Develop an independent cost estimate for the contract to help detect collusion and inflated pricing. Communicate evaluation results to all parties.
- **Aim for a minimum number of bids**
Ensure that all suppliers meeting prequalification conditions are invited to tender. If your criteria eliminate too many competitors, double-check they're reasonable before allowing reduced competition. Ensure any requests for sole-sourcing are infrequent, justified in writing and authorised by a manager.
- **Ensure transparency in the tendering process**
Use sealed bids and a tender committee with representatives from several units so that no one staff member can have undue influence over the process. Make bid evaluation and contract award criteria public at the time of tender. Publish evaluation results, and establish a **complaints mechanism** for suppliers and the general public in case they feel your evaluation criteria or selection process were unfair. Suspend the procurement process while investigating a complaint, and debar any offenders.

- **Ensure the clear separation of staff duties**
Different staff should be responsible for technical specifications, prequalification and bid evaluation. All procurement decision-making should be by committee. (Include someone from a different agency unit, to ensure 'arms-length' decision-making.) Rotate procurement staff regularly to prevent close relationships with local suppliers. Ensure staff know they'll face **sanctions** if involved in corrupt or non-transparent deals, including termination without benefits or legal action. Include experienced procurement staff in your ERT **surge capacity**.
- **Limit the use of special **emergency procedures****
If the urgency or the remoteness of a crisis requires the relaxation of regular procurement procedures, deadlines or minimum bidder numbers, allow special emergency procedures to be used (if such exceptions are justified in writing). Always set clear criteria and time limits for normal procedures and controls to be reintroduced, and ensure compliance.
- **Use independent monitors**
Include procurement in all **monitoring and evaluation**. Promote the participation of local **civil society organisations** and **beneficiaries** as independent monitors of all stages of procurement and contract implementation processes.

You'll need

- Full-time staff thoroughly trained in procurement processes.
- Procedures for sharing details of debarred suppliers with other agencies.

Challenges

- Pressure to relax normal procurement procedures in view of 'urgency'.
- Resistance to publishing information on evaluation criteria and award outcomes.
- Resistance to independent external monitors of procurement processes.

Reference materials

Business Anti-Corruption Portal: [Public Procurement Due Diligence Pool](#), Copenhagen n.d.

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TI: The Integrity Pact: [A powerful tool for clean bidding](#), n.d.

World Vision: [PUR02: Minimum Purchasing Policies and Procedures for National Offices and Reference Procurement Manual](#), 2006. (unpublished document)



SUPPLY CHAIN MANAGEMENT / PROCUREMENT

SURPLUS PROCUREMENT

A. Corruption risks

A demand for goods or services may be induced where there is no benefit to people affected by an emergency. An entire purchase may be completely unnecessary, or more stock may be purchased than warranted because an employee was bribed by a supplier to sell the excess and share profits. A supplier may simply invoice for too much work or too many supplies, or may provide fewer goods or services than contracted for but invoice for the full amount. Documents may be falsified, certifying that the same amount of goods was received or distributed as dispatched. Payment may be made for goods or services that were given for free, then diverted.

B. Watch out for

- Poorly documented needs assessments
- Warehouses with too much inventory
- Relief goods or supplies being sold in large quantities in local stores or markets
- Proposed relief packages substantially larger than Sphere minimum standards
- Requests for 'urgent' purchases at the end of the financial year when there's pressure to spend unused budgets

C. Prevention measures

- **Double-check whether goods and services are really needed**
Someone other than the requisitioner must always check whether the particular goods or services were identified in the **needs assessment** and are still really needed now or in the foreseeable future. Can the demand gap be met by repairs, the better performance of existing assets or by reducing losses?
- **Establish systems for comprehensive supply chain management**
Use supply chain management systems to keep track of the quantities, condition and location of goods at all stages. Cross-check physical and visual checks with documentation for goods received or dispatched. Require transporters to deposit a bond against satisfactory delivery and to reimburse your agency for unjustifiable 'losses'. Hire reliable warehousing facilities and staff; train staff to use strict receipt and dispatch procedures and documents. Ensure staff know they'll face **disciplinary action** if involved in corrupt deals.
- **Consider using cash transfers or vouchers**
Cash transfers or vouchers allow beneficiaries to procure the goods and services they need on the local market instead of relying on centralised mass agency purchases that may invite corruption.
- **Include the participation of beneficiaries for greater accountability**
Beneficiaries can help identify proposed goods or services that are unnecessary as well as unreliable local suppliers and local procurement staff with conflicts of interest. They can provide quality control checks for goods and services procured and can alert you when inappropriate decisions are made or predetermined criteria not applied.
- **Ensure that surplus goods are not sold privately**
Mark relief supplies clearly as donated or free goods. Check local markets and stores for 'free' relief goods on sale in large quantities. Post signs that donated goods are not to be bartered, traded or sold.

- **Plan and budget for monitoring and evaluation**
Include procurement in programme monitoring and evaluation – in terms of both procedure (was process followed?) and outcomes (were appropriate goods and services supplied in the right quantity, at the right price?). Real-time evaluation teams should include procurement expertise and have a mandate to compare key purchases across agencies. Require that programme partners have signed agreements preventing the diversion of goods. Ensure **transparent** information, to facilitate **accountability** and effective monitoring by media, local **civil society organisations** and beneficiaries.

You'll need

- Software systems for tracking goods.
- **Post-distribution** monitoring of beneficiary use of relief goods.

Challenges

- Staff insisting that additional goods and services are justified by changing circumstances.

Reference materials

Fritz Institute: *HELIOS Software Overview*, n.d.

Harvey, Paul: *Cash-based responses in emergencies*, HPG Briefing Paper 25, ODI, London 2007.

UNHCR: *IP Procurement Guidelines: For Implementing Partners of UNHCR Funded Programmes*, Geneva 2004.

UNOPS: *Procurement Manual*, 2007.



SUPPLY CHAIN MANAGEMENT / PROCUREMENT

SUPPLY OF SUB-STANDARD GOODS OR SERVICES

A. Corruption risks

A supplier may provide low quality, defective or fake supplies or poor services, but bill for specification-standard materials or work. Staff may be bribed by suppliers 'not to notice' the sub-specification execution of a contract, to accept fake goods as genuine or to sign off invoices for inferior work. Suppliers may introduce substantial changes to the quality specifications or prices in their contract via renegotiation or 'change orders', often in small increments that don't require management sign-off.

B. Watch out for

- Prices inflated substantially above market levels
- The amount of goods or services delivered being less than requested
- Goods that don't match the sample provided with the bid
- Goods with imminent or past expiry dates
- Excessive or frequent change orders, requests for contract variations or efforts to renegotiate contract terms during implementation

C. Prevention measures

- **Set clear quality standards**
Outline clear **technical specifications** for equipment, work and supplies in your bid documents and include quality compliance in bid evaluation criteria. Have clear lines of responsibility for contract monitoring, to ensure suppliers deliver products and services of the right quality and quantity, on time and within budget. Keep bid samples for verifying the quality of delivered items.
- **Pre-establish limits for change orders**
Once cumulative change orders or contract variations reach a certain price threshold above the original contract (or a standards threshold below it), ensure all further change orders, however small, are approved by a senior manager.
- **Agree sanctions for suppliers**
Build into all contracts an integrity clause and sanctions or penalty clauses for failure to meet specifications. For large or project-critical procurements, suppliers should provide performance bonds guaranteeing timely, high-quality delivery. Use debarment or legal action to sanction corrupt suppliers, and ensure staff know they'll face disciplinary action if involved in corrupt deals, including termination without benefits or legal action.
- **Set up an independent monitoring system**
Make frequent, unannounced control checks (including site visits) to monitor contract implementation. Consult aid recipients regularly to help establish benchmark quality standards for items, as well as to check whether these are adhered to. Carry out regular, independent internal **audits** to deter collusion or cover-up, and ensure external auditors compare final costs and results with estimates and expectations. Investigate discrepancies and hold those responsible to account. Inform beneficiaries of quality standards, so they can tell you if these are not met.

- **Standardise key goods and services by sector**
Coordinate with other agencies to reduce the number of purchasing processes. Use existing purchasing manuals or channels (e.g. the United Nations Children's Fund, UNICEF) and purchase according to **industry-wide standards**, such as Sphere. Work on joint procurement through the UN sectoral cluster system or through **inter-agency coordination** at the country level, including **pre-supply contracts** for frequently needed goods and services, as part of **emergency preparedness**.
- **Consider implementing a cash transfer or voucher system**
Paying cash or providing vouchers for relief goods or services directly to beneficiaries transfers quality control to them, which can reduce the opportunity for corruption.

You'll need

- To commit resources to implementing standards within your own agency and to coordinating with other agencies to apply common standards across sectors.

Challenges

- Poor definition of technical specifications, which makes monitoring and evaluation of quality standards difficult.

Reference materials:

Kostyo, Kenneth (ed.): *Curbing Corruption in Public Procurement*, TI, Berlin 2006.

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SUPPLY CHAIN MANAGEMENT / TRANSPORT

PAYMENT FOR ACCESS TO AID RESOURCES OR BENEFICIARIES

A. Corruption risks

Corrupt government officials or local militia may block the flow of aid by demanding bribes or kickbacks from agency staff in return for access to the people who need assistance in an emergency, or to the aid resources the agency needs (e.g. goods in a customs warehouse). Payment may be demanded at a strategic level (for access to a whole area or for international staff visas to enter the country), an operational level (somewhere along the supply chain, e.g. customs clearance), or on the front line of aid delivery (at a roadblock outside a camp).

B. Watch out for

- Ad hoc changes in laws and your operating environment
- Requests to staff for one-on-one meetings by officials
- Unjustified refusals to grant visas
- Repeated delays in customs clearances
- Unforeseen delays in the transport and delivery of goods
- Road blocks, official or unofficial, controlling access to sites or beneficiaries

C. Prevention measures

- **Train staff in how to deal with extortion and intimidation**
Through security officers on the ground, pre-analyse the situation to identify likely **corruption risks**. Develop staff negotiating skills so they can talk their way around attempted corruption: train staff to define clearly and prioritise their objectives in a given situation, and to articulate your agency's position (what you want), bottom line (the most or least you're willing to accept) and interests (why you take that position).
- **Identify the right counterpart**
Always try to negotiate with a counterpart (the official or person most likely to deliver what you want). Gauge your counterpart's position, bottom line and interests for compatibility with your own, and assess the power you have to influence them. Give effective, robust arguments that are objective (e.g. based on international norms, aid recipient needs and your agency's expertise) and subjective (related to your counterpart's interests, needs and beliefs). Try to bond via personal common ground, but appeal to someone's superiors if payment is insisted on.
- **Identify a capable team for formal negotiations**
Try never to negotiate alone: you can be exploited and vulnerable to physical threats; the other party can lie about what was said. Choose team members with diverse skills, knowledge and personalities (where possible, of the same authority, expertise and cultural background as your opposition). Consider using a 'shadow' who never takes part in negotiations, but just observes, to advise your team objectively.
- **Manage cultural differences**
Be aware of differences in concepts such as hierarchy, gender roles, individualism, time, respect for rules and modes of bargaining. Use common sense regarding how much to adapt to a country's prevailing cultural norms. Don't talk too much: listen actively, be seen to concentrate on what's being said, make notes, ask questions.

- **Pre-agree customs and visa procedures**
Pre-plan arrangements as part of **emergency preparedness** to prevent opportunistic demands for bribes. Have all customs and visa paperwork ready or pre-lodged. Pre-negotiate minimal or no cargo inspection, clearance outside official working hours or designated locations, and the waiving of duty and transit procedures. (If possible, obtain registration as a duty-free entity.) Liaise with other agencies in negotiations for waivers, fast-tracking and pre-arrival clearance. Seek the implementation of any existing regional agreements or sectoral concessions.
- **Report blockages transparently**
Report to donors and government authorities any efforts by officials or private groups (e.g. militias) to block or delay humanitarian operations. **Coordinate with other agencies** facing these problems and develop joint responses.

You'll need

- To think in advance about how you'll deal with aggressive tactics, such as 'take it or leave it'.
- To report and carefully document these problems and decisions made.

Challenges

- Compromises that involve second-best solutions or concessions.

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SUPPLY CHAIN MANAGEMENT / TRANSPORT

DIVERSION DURING TRANSPORT

A. Corruption risks

The diversion of aid goods during transport may be pre-planned or spontaneous. It may come from a corrupt driver or transporter, possibly in collusion with a member of staff. They may claim that they had to pay a proportion of supplies as a bribe (**payment for access**), that goods were stolen or that they were damaged and had to be abandoned, when in fact the goods were diverted by the driver for sale. Corrupt local officials or soldiers may divert goods at roadblocks through **extortion and intimidation**, or transport may be raided by armed militias or rebels.

B. Watch out for

- Shipments arriving at relief sites with lower weight, or fewer or poorer quality items than at port of origin, without a technical explanation for the losses
- An unusual number of reports of irreparably damaged supplies
- Packages that appear to have been tampered with
- Missing or incomplete shipping documents, or those with manual corrections
- Deliveries that take unusually long to arrive
- Higher than normal mileage on delivery trucks
- Relief goods on sale at local stores or markets in large quantities

C. Prevention measures

- **Use reliable transporters and agree security measures**
Build security measures into transporters' contracts. Ensure vehicles are in optimum mechanical condition; that they travel only during daylight hours and are never loaded beyond capacity. Goods should be kept from view, covered or ideally with a sealed cargo door, which must be opened only by the load recipient. Agree security measures with the driver, especially if vehicles must remain loaded while parked overnight. Only display your agency name or logo if you're sure they won't attract unwanted attention.
- **Pre-plan your route carefully**
Choose the safest route, even if it's not the fastest, and inform everyone responsible for a shipment, from point of origin to destination. Identify key services and potentially insecure segments. Any deviation must be communicated immediately to the nearest base. Be clear who is responsible for a shipment at each stage. Coordinate transport routing with local authorities and other agencies, and ensure that vehicles travel in convoy for long journeys or through insecure terrain (liaise with other organisations if necessary), and that they have effective communications facilities.
- **Document the entire supply chain**
Have record-keeping staff at all points along the supply chain, with a coordinator to oversee the entire process and resolve issues. Keep agency and beneficiary community managers informed in writing about the state of the supply chain at various stages: supplies on hand; additional supplies needed, ordered, in transit and delivered. Use official consecutively numbered forms, and include copies for everyone responsible for the shipment. Recipients must verify goods immediately and notify the sender: both count and weigh all or a comprehensive random sample of packages, check their condition and cross-check with shipping documents. Document and investigate any discrepancies. Specialised items should be checked by technical personnel.

- **Make transporters responsible**
Transport contracts should specify that the transporter is obliged to reimburse the agency for losses that cannot be technically justified. Ensure that losses claimed due to damage or other causes are documented in writing. Emphasise that you're using tracking systems to follow the freight.
- **Partner with experienced shippers**
Consider partnering with private companies (e.g. courier services) with experience in shipping goods to remote areas or those which are hard to access, and **coordinate with other agencies** to share transport arrangements.

You'll need

- Clear labelling (electronic or in indelible ink) and standardised corporate paperwork (waybills, load manifests, stock records, reporting formats).
- An efficient commodity tracking system (e.g. humanitarian logistics software) giving an overview of the whole pipeline.
- Adequately trained staff to manage the supply chain, and who understand different risks for different shipping modes.
- To know local and customary law, so you can tell if authorities are diverting goods illegally.

Challenges

- The need for multiple verifications of shipments.
- The need to follow up or investigate missing or partial shipments.

Reference materials

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United Nations Joint Logistics Centre (UNJLC): [Joint Supply Tracking – JST](#), 2009.



SUPPLY CHAIN MANAGEMENT / TRANSPORT

FALSIFICATION OF INVENTORY DOCUMENTS

A. Corruption risks

Inventory documents can be tampered with, altered or rewritten to hide the corrupt diversion of goods. Staff might not keep records up-to-date, but deliberately delay documentation so managers can't detect diverted goods. Inventory documents may go missing or be destroyed to cover someone's tracks, or a project officer may regularly claim to have 'lost' receipts so that goods can be diverted without any evidence that they were ever present at all.

B. Watch out for

- Documents that are copies, not originals
- Handwritten documents
- Numbers that don't add up correctly
- Manually altered documents (e.g. figures corrected, erased and whited- or blacked-out)
- Pristine sets of records that could have been written by the same person (to replace originals)
- Missing or lost documents

C. Prevention measures

- **Use IT for traceability and transparency**
User-friendly, flexible **information technology** (IT) packages can match inventory identification labels with packing lists, bringing accuracy, transparency and real-time control. Use barcode, magnetic strip, laser card or Radio Frequency Identification (RFID) labelling so you can accurately identify inventory during storage, handling and distribution. Wireless printers can print labels in receiving or processing areas (from simple serial numbers to advanced traceability data).
- **Train staff in inventory and stock control**
Ensure staff keep strict records of the arrival and departure of goods to and from the warehouse facility. Inventories should confirm warehouse contents and the location of goods. Compare inventory turnover rates from time to time. Apply sanitary and safety measures and keep central records of stock expiry dates so missing goods can't be attributed to flooding or rodents, or claims that they were out-of-date and were therefore disposed of. Carry out warehouse spot-checks.
- **Limit the number of people who have access to inventory documents**
Physical security checks should include proper documentation to gain access to the inventory. All inventory transfer needs to be accounted to both people and documents. Limit access to the stock room, particularly after hours.
- **Consider video surveillance as a preventative measure**
Lock up high value items and make recordings of who has entered the secure area and when.
- **Separate key duties**
Make different staff responsible for ordering, receiving, dispatching, monitoring and recording goods, to add another layer of control. There also should be independent authorisation for write-offs or scrapping of inventory items. Carry out random, surprise inventory checks.

- Cover inventory procedures in **monitoring and evaluation**
Ensure all supply and delivery information is available to monitors and auditors, and that inventory methods and schedules are included in evaluations of your supply chain.

You'll need

- A secure IT network (in-built controls; use of electronic signatures) or lockable metal filing cabinet, to protect records from tampering or alteration.
- Simple, consecutively numbered official forms that are easy to fill in and can be entered into a computerised database.

Challenges

- Collusion among warehouse staff or with transporters.

Reference materials

Fritz Institute: *HELIOS Software Overview*, n.d.

SUMA: *Humanitarian Supply Management System*, n.d.

UNJLC: *Joint Supply Tracking – JST*, 2009.



SUPPLY CHAIN MANAGEMENT / TRANSPORT

DIVERSION DURING STORAGE

A. Corruption risks

Relief goods stored in warehousing or temporary reception facilities are susceptible to attack, looting and pillage, with or without collusion by staff. Theft may arise from lack of physical security or poor controls. **Inventory documents** may be falsified, or goods smuggled out and tracks covered. Goods may also be siphoned off subtly during repackaging for **distribution**.

B. Watch out for

- Manually prepared distribution units (e.g. grain scoops) that can be slightly reduced in size
- Packages that appear to have been tampered with (e.g. puncture holes, rips)
- 'Doughnut' stacking, when a solid-looking pillar of goods has a hole in the centre where packages have been removed
- Staff accessing the storage facility at odd hours
- The rounding-up of weight numbers
- Frequent corrections in distribution ledgers

C. Prevention measures

- **Use only suitable, secure warehouse facilities**
Assess potential storage facilities for size, access and location. Ensure warehouses are sturdy, without cracks or holes in the walls, floor or roof, and secured against break-ins (e.g. by locks, fences or perimeter lighting). If possible, check previous reports from the warehouse of incidents or problems. Hire reliable security personnel to guard supplies and control unauthorised entry. Carry out hygiene and sanitation checks (so it can't be claimed that goods diverted corruptly were damaged or destroyed). Inspect warehouse facilities at least weekly, and check the flow of goods from the warehouse against scheduled programme activities. Consider video surveillance as a protective and deterrent measure.
- **Implement a clear separation of staff duties**
Give your warehouse manager ultimate responsibility for all goods. Ensure the segregation of roles of all staff receiving, storing and dispatching goods, so no one person can control the movement of goods. Limit the number of people allowed access to the warehouse; install two locks and give the keys to different people. Monitor carefully local volunteers used for handling supplies; train them in procedures and zero tolerance towards corruption. Rotate staff among sites and always include someone from another location in the local warehouse team. Give all staff written job descriptions and make them sign a **code of conduct**.
- **Use formal systems to keep track of goods stored**
Carry out regular physical inventories and inspections of goods. Keep records of the quantity, quality, type and location of goods in a warehouse. Use formal procedures systematically for the arrival and dispatch of goods (physical and visual examinations by weight, volume and numbers, cross-checked with paperwork). If repackaging, record the total weight of goods before and after repackaging (allowing for differences in packaging weight). Formally certify the loss or damage of goods. Make random, surprise visits to warehouses. Carry out regular audits and evaluations of your warehousing and supply chain systems. Where large volumes of goods are involved, e.g. food aid, and it's not possible to weigh every sack or package, be sure to weigh a comprehensive random sample.

- Invest in logistics preparation and training as part of **emergency preparedness**
View logistics strategically and invest accordingly in staff training and infrastructure for the tracking of supplies. Train logisticians as managers, not just field officers, and involve logistics in programme planning. Have **pre-supply agreements**, reducing the need for warehouses filled with goods on standby.

You'll need

- A central record of all authorised signatures for dispatching and receiving goods, so staff can check paperwork is legitimate.
- A comprehensive **M&E** system that reconciles dispatch information with programme activities.

Challenges

- The need to investigate all missing goods (involving police or local authorities where appropriate) and the application of **sanctions** against perpetrators.

Reference materials

Fritz Institute: *HELIOS Software Overview*, n.d.

SUMA: *Humanitarian Supply Management System*, n.d.

UNJLC: *Joint Supply Tracking – JST*, 2009.



UNAUTHORISED PRIVATE USE OF VEHICLES

A. Corruption risks

Staff may use agency vehicles (whether owned or leased) without authorisation, for financial or other gain (e.g. transporting goods for sale, taxi rides or social purposes), or they may hire vehicles out to others for similar purposes (individually or in collusion). Vehicles may be used inappropriately by local authorities as a result of coercion or bribery. As vehicles are one of the foremost elements in an agency's public image, their visible misuse will damage your overall reputation and undermine your policy of 'zero tolerance' concerning corruption.

(Note that staff may also abuse other agency assets such as information and communications (ICT) equipment, e.g. selling talk-time on agency mobile or satellite phones or the use of portable computers to access the internet. Be alert for this and limit who can access such equipment.)

B. Watch out for

- Purchasing or hiring an excessive number of vehicles for the tasks assigned
- Agency vehicles seen being driven after hours or at weekends, or in unlikely locations (check whether they are authorised)
- Inconsistent behaviour between line items in expenditure reports; e.g. if project-related funding is under-spent but fuel or vehicle maintenance is over-spent, this could indicate vehicle abuse
- Signs of physical vehicle deterioration that could indicate overuse (private) or overloading (with private goods or persons)

C. Prevention measures

- **Have clear written procedures for staff use of vehicles**
Specifically address the unauthorised use of vehicles and why this is forbidden. If allowing staff private use of vehicles in certain circumstances, have a clear written policy, including for visiting international staff. Business purposes must always take priority, and private use of unallocated vehicles must have prior approval, be recorded in the logbook and the cost recouped from the employee.
- **Keep strict records for each vehicle**
Use control forms and keep a daily logbook for each vehicle, recording conditions, trip authorisations, the person responsible for the vehicle, mechanical service checks, mileage, fuel consumption and activity schedules. Ensure that vehicles are parked after hours in a safe facility such as a garage or locked yard. Ask staff to report vehicle presence in unauthorised locations. All driver trip reports should be countersigned by the programme staff with or for whom the trip was taken, and they should be made aware of the budget implications for their programmes of vehicle misuse.
- **Appoint a trained manager or logistician to coordinate your fleet**
If possible, give maintenance and control responsibilities for a vehicle to one driver only, and appoint a manager to supervise drivers and monitor application of standards for appropriate use and maintenance. Ensure that the manager authorises all trips in writing. Train your drivers to fill in the vehicle's logbook, in daily routines and in their responsibilities and

behaviour. Ensure drivers report all problems, however small. Combine the 'one-vehicle, one-driver' policy with periodic rotation of vehicles among drivers. Drivers should prepare hand-over notes on a vehicle, including maintenance status, fuel-use, etc.

- **Use tracking technology if possible**
Wherever possible, use black box and satellite tracking technologies – a standard feature in new-generation vehicles and a clear, reliable way of controlling and monitoring a fleet. These require that drivers use a special identification key or card and will alert the fleet manager if a parked vehicle is driven beyond your fence.
- **Ensure head office monitors sub-office vehicle data**
Data should be sent regularly to the country head office for comparison, to ensure a sub-office's vehicle use doesn't deviate wildly from expectations or other offices' use (without good reason). Use standardised data collection and analysis systems across your organisation, to facilitate meaningful comparison.
- **Recognise and value fleet management as a professional skill**
Drivers as well as logisticians should feel part of the professional agency team and their good performance should be publicly recognised as contributing to agency efficiency, cost savings and effectiveness. Give logisticians and drivers specialised, ongoing training.

You'll need

- Logistics staff with knowledge of vehicle usage, and well-trained drivers who can fill in logbooks correctly.
- Transparent **electronic systems** to monitor vehicle and fuel usage.
- Management structures with capacity to implement optimum fleet management policies.

Challenges

- Collusion between drivers and a fleet manager to hide unauthorised vehicle use.
- Visiting international staff asking to use agency vehicles for their personal use during a mission.

Reference Materials

Fleet Forum: Direction: The Official Fleet Forum Journal for the Aid & Development Community, 2nd issue, 2008.

Kjaer Group: CarNation, No. 3, and Global Fleet Management System, Svendborg 2009.



CORRUPTION IN VEHICLE REPAIRS AND MAINTENANCE

A. Corruption risks

Staff may collude with mechanics or workshop owners so that service costs are inflated, or maintenance is not done or carried out poorly and the full cost charged. Mechanics may charge for new spare parts but may actually fit used ones or leave parts unchanged and sell the new parts; or they may carry out repairs and replace parts unnecessarily. Employees may sell spare parts from your stocks and claim they have been used, or they may be bribed to enable the theft of spare parts. Collusion may occur between agency staff and vehicle insurance company staff to make false claims for vehicle repairs and pocket the reimbursement.

B. Watch out for

- Repair and maintenance costs that are higher than expected
- Unexplained variances in maintenance cost per kilometre between similar vehicles or in the same vehicle over time
- Frequent vehicle insurance claims
- Unnecessary vehicle disposal: staff may declare the vehicle unfit for agency use so that they or their friends can buy it at a nominal cost or just expropriate it

C. Prevention measures

- **Plan maintenance carefully**
Have a written service schedule – after a certain mileage or time period (whichever is soonest). Plan services ahead so they can be booked into a reliable workshop. Monitor mileage so it's easy to predict when a service is due.
- **Follow a proper selection process for external workshops**
Wherever possible use local mechanics (having your own mechanics and spare parts is not cost-efficient and is subject to fraud). Use a proper **procurement process** to select a workshop, or compile a **pre-supply list**. Check the supplier's reputation: staff number and qualifications; equipment and experience; arrangements for getting spare parts.
- **Always have a detailed service contract**
Use detailed service contracts that clearly stipulate what should be done in a regular service and establish fixed costs for each line item and labour. Stipulate under the contract that no work will be performed beyond the specified service unless authorised by the agency, and that spare parts must be genuine. Specifically prohibit corrupt behaviour and require that workshops report staff attempts at collusion.
- **Have set procedures for vehicle maintenance**
Use written defect reports and formal repair orders. Drivers should verify that work done accords with the repair order, that no other parts are removed or replaced, and that new spare parts are used. They should collect parts that have been replaced, for verification by a logistics manager. The driver should record and file the work carried out and details of labour, parts and costs. All reports of vehicle damage should be physically checked by a manager before submitting an insurance claim.
- **Physically mark all premium mechanical items**
Use a metal stamp to brand all premium items (e.g. batteries, starter motors, fuel injection pumps), which are most likely to be removed from a vehicle and replaced with old ones.

Mark the fleet number or use unusual coloured paint on all components to deter theft. Register every tyre's unique serial number to prevent replacement with worn-out ones or inferior brands. When replacing a tyre, verify the serial number against your records and record the replacement's number.

- **Record use of parts and reconcile with stock levels**
If operating in remote areas where carrying spare parts is unavoidable, keep strict stock inventories and record every deduction. Mark spare parts with numbers or paint to identify them, or place seals on spare parts that have to be broken when used.
- **Carry out daily checks**
The driver responsible for each vehicle should carry out a daily inspection based on a vehicle and service checklist, to be recorded in the vehicle logbook and submitted to the fleet manager. The manager should check data periodically, comparing mileage, fuel and lubricant levels, and maintenance and repair data with the logbook and vehicle usage schedule. Any discrepancies must be reported to the fleet manager's supervisor.
- **Carry out spot-checks, head office checks and independent audits**
Carry out spot-checks verifying vehicle maintenance. Keep detailed records of maintenance expenses so managers and auditors can monitor each vehicle's cost per kilometre (fuel expenses added to parts expenses, divided by mileage). A high variance between similar vehicles or in one vehicle over time may indicate corruption. **Audits** should go beyond the paper trail to check actual spare parts. Submit maintenance records to the country head-quarters for comparison with other offices and verification.

You'll need

- To ensure fuel, parts and accessories (including tyres) are available when needed. Check what can be purchased locally, and any import restrictions. Keep your own stock of spare parts only if necessary.
- Clear benchmarks for vehicle maintenance, usage and fuel consumption, with levels of accepted deviations so that 'red flags' beyond the accepted levels can be signalled during monitoring.
- Careful external **monitoring** of an office's fuel and maintenance records.

Challenges

- Complex collusion that's hard to detect, involving several people in an office.
- Ongoing vigilance for counterfeit or inferior quality spares.

Reference materials

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Aid Workers Network: *Servicing, Maintenance and repair*, 2007.

Martinez Pedraza, Alfonso and Stapleton, Orla: *Vehicle replacement policies in the humanitarian sector*, Institut Européen d'Administration des Affaires (INSEAD), in "CarNation", No. 4, Svendborg 2008.

SUMA: *Humanitarian Supply Management System*, n.d.



DIVERSION OF FUEL

A. Corruption risks

High fuel consumption may indicate mechanical problems or inefficient vehicle use, but is often a symptom of corruption (with stolen fuel being attributed to spillage, evaporation or unaccountably high fuel consumption in particular vehicles). Employees may sell fuel siphoned from vehicle tanks or from your main storage facility, or be bribed to enable its theft. They may liaise with fuel suppliers to withhold an amount from a fuel delivery, which is then sold for personal profit while the agency is invoiced for the full amount. Drivers may request fuel vouchers from several agency sub-offices and sell excess fuel, or they may not use fuel vouchers or refuel at non-authorised petrol stations, then claim reimbursement for cash outlays using inflated receipts.

B. Watch out for

- Draw-down of fuel supplies at a rate higher than expected
- Unexplained variances in fuel cost per kilometre between similar vehicles or in the same vehicle over time
- Drivers making expense reimbursement claims for fuel costs

C. Prevention Measures

- **Ensure driver buy-in**
Train drivers in their responsibility for a vehicle's fuel consumption. If possible, allocate a particular driver to each vehicle and have one log-book per vehicle. Ensure drivers sign off fuel-use sheets each day and report any problems, and that your system is user-friendly. Make sure all drivers understand why fuel monitoring is so important, and provide good incentive and reward systems, e.g. regular training; public recognition of the best driver.
- **Measure and compare fuel usage**
Compare fuel usage over time and between vehicles. Assign monitoring to one person, overseen by a senior manager, using a transparent web-based system to capture information and generate reports. Avoid self-designed Excel sheets which require data to be merged manually between sheets (time-intensive and subject to error). Assess each vehicle's performance every month. If there are irregularities, inspect the vehicle and use a different, trusted driver to monitor comparative fuel consumption.
- **Implement practical and technological controls**
When refuelling, always fill tanks to the brim. Fit lockable fuel caps, seals on the fuel system and anti-siphon adaptors to prevent siphoning from a vehicle's tank. Use fleet management computer software to monitor larger fleets and identify irregularities. Establish standard key performance indicators and variances (e.g. 10 per cent) so the system can automatically flag any vehicles straying beyond the indicators.
- **Use a proper selection process and formal contracts for fuel suppliers**
Use a proper [procurement process](#) to select a fuel supplier, or compile a [pre-supply list](#). Have formal agreements specifying that refuelling may only take place on presentation of vouchers or purchase orders bearing an authorised signature and the agency's stamp. Specifically prohibit corrupt behaviour and require fuel suppliers to report staff attempts at collusion.

- **Record fuel use and reconcile with stock levels and deliveries**
If operating in remote areas where maintaining your own fuel supply is unavoidable, keep strict inventories of stocks and record every deduction. Perform a weekly reconciliation between the total amount of fuel used by vehicles and the total deductions from your stock. Ensure that tankers dispense the full amount of fuel invoiced into your storage facilities. Actively check the amounts transferred. Keep a central country database of fuel use so drivers don't request fuel vouchers from several agency sub-offices.
- **Carry out spot-checks, head office checks and independent audits**
Carry out spot-checks verifying fuel use and deliveries. Keep detailed records of fuel expenses so managers and auditors can **monitor** each vehicle's cost per kilometre (fuel expenses added to parts expenses, divided by mileage). A high variance between similar vehicles or in one vehicle over time may indicate corruption. **Audits** should go beyond the paper trail to check actual fuel stocks. Submit fuel records to the country headquarters for comparison with other sub-offices and verification.

You'll need

- Logistics staff with knowledge of vehicle fuel consumption. If there's no in-house capacity, use expert vehicle-monitoring services.
- Well-trained drivers who can fill out fuel sheets and log books correctly.
- A central country database of fuel usage.

Challenges:

- Possible tensions between logistics managers and drivers over fuel policies.
- The demands of fuel monitoring: it's time and labour-intensive. Simple, user-friendly formats help.

Reference Materials

Aid Workers Network: *Fuel Management*, 2007.

Aid Workers Network: *Logistics Resource Bank*, 2004.

Butler, Mark: *Keeping Track of Fuel Use*, Aid Workers Network, 2004.

Kjaer Group: *Fleet Management System*, Svendborg n.d.



BIAS IN RECRUITMENT, DEPLOYMENT, PROMOTION OR SUPERVISION

A. Corruption risks

Employees may consciously or unconsciously favour or block candidates or colleagues when appointing and promoting staff within your organisation. Or potential staff may bribe human resources (HR) officers to obtain employment or a higher salary. Such bias prevents impartial advancement on merit, qualification and abilities. It may be for or against a particular individual, or on account of group characteristics, e.g. to do with age or ethnicity. Bias is an abuse of power that prevents employment and career development decisions being taken on an equitable basis. It's a form of corruption that's unfair to individuals and harmful to programme quality, often keeping the best candidate out of the job. It can also lead to collusion among staff members.

The most common types of HR bias are nepotism, cronyism and political patronage. These are considered a normal part of social solidarity in many societies. Sometimes they can be a positive force – if, for example, there needs to be mutual trust in a team or staff can vouch for the professional reliability of their friends or family. But when they lead to unqualified staff being recruited or promoted, this undermines the agency's mission. Corruption in HR practices can also create conflict by deepening marginalisation (based on ethnicity, religion or other criteria).

B. Watch out for

- Only one individual receiving applications
- HR units where all staff are from the same group/region
- HR officers pushing for a particular candidate who doesn't appear the most qualified
- Pressure to skip a full vetting of candidates due to 'urgency'
- Any staff promoting a prospective candidate for recruitment
- Narrow candidate requirements that may be designed with a specific candidate in mind
- Delays in making job offers
- Passing or off-the-record statements that might be clues to potential corruption risks

C. Prevention measures

- **Develop effective, fair and transparent HR policies**
Written policies covering recruitment, appraisal, training, promotion, rewards and succession planning help prevent favouritism or discrimination from dictating who receives opportunities within your organisation. They offer guidance to HR teams and managers, and inform staff of their entitlements within an equitable system. Constantly review and update HR policies and procedures. Refer to sector guides such as People in Aid materials.
- **Have an explicit policy regarding nepotism**
Clarify which categories of staff family members cannot be recruited. Justify and document any exceptions. Cronyism can be controlled by strict adherence to objective criteria, qualifications and processes and by a **conflict of interest** policy. Consider using an objective external HR consultant to shortlist and carry out initial interviews.
- **Train staff in recruitment**
Recruitment should only be handled by staff trained in both process and soft skills, e.g. how to neutralise cross-cultural differences or guard against their own possible biases. Provide specific training in HR corruption risks. Managers should ensure that more than one person

is involved in every stage of the recruitment process, that recruitment teams reflect diversity and that selections are made against specific competencies and criteria (rather than personal hunches) throughout. Use standard rating systems to overcome subjective assessments of candidates, with written records on why candidates were rejected or retained, signed by all interview panellists. Train non-HR staff (e.g. line managers) in basic HR good practice, and carry out a proper **procurement procedure** when hiring consultants.

- **Ensure candidates are thoroughly vetted**
Carry out background checks of candidates and their CVs, including checking gaps, qualifications and previous employment, and determining whether their extended family, friends or business associates might be agency staff. Triangulate the information from several sources. If staff are recruited under **emergency procedures**, ensure *ex-post* vetting. Conduct HR spot-checks (e.g. who is on the payroll).
- **Implement a structured performance review system**
Set clear criteria for impartial performance measurement. Seek input on performance from colleagues as well as supervisors. Allow staff to dispute their performance rating if they perceive it as unfair, and ensure the final performance management report is signed by the manager of the person carrying out the review. Ensure the setting of salaries and benefits is decided by at least two people in relation to a benchmarking exercise, and signed off by management.
- **Ensure equality of access to **training** and career opportunities**
Provide equal access to training, mentoring, secondments and internal mobility. Have clear criteria for promotion and encourage all staff to prepare themselves for promotion based on capability. Ensure your succession planning isn't a means of fast-tracking favoured staff, but is a fair and transparent way of nurturing a pool of talent.

You'll need

- To give HR strategic importance and invest in top-quality HR staff.
- To develop HR policies in consultation with staff; then communicate, implement and update them well.

Challenges

- The need to be vigilant for bias even if you have strong written HR policies.
- Interference in some contexts from government officials or sectarian interests.

Reference materials

AA International: *Global HR / OD Framework*, 2005.

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Maxwell-Scott, Lucy and Dennison, Michèle: *Succession Planning*, People In Aid, 2007.

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People In Aid: *Recruitment Overview*, 2006, and *Recruitment Essentials*, 2006.



HUMAN RESOURCES

SHORT-CIRCUITING OF HR CONTROLS IN AN EMERGENCY

A. Corruption risks

The best-designed policies are only as good as the people who implement them. Unqualified, negligent or under-trained staff are an invitation for corruption. Bypassing HR controls during an emergency (on the basis that speed is more important than procedures) can allow unsuitable staff into your organisation and presents multiple corruption risks. This is particularly a problem when staff are recruited on a short-term basis and don't have the corresponding loyalty to the agency and its mission. If recruitment procedures are not followed, corrupt recruitment may take place (e.g. via nepotism or **bias**), or people may be recruited who will go on to behave corruptly once employed.

B. Watch out for

- Temporary staff who haven't been properly vetted or inducted
- Failure to receive and verify references from a previous employer
- Resistance to *ex-post* vetting of temporary staff

C. Prevention measures

- **As part of emergency preparedness, plan for a surge in recruitment and staff deployment in a sudden-onset crisis**
Assign experienced HR staff to ERT **surge capacity** from the start to help assess staffing needs and define job descriptions, salary structure and benefits, person specifications and required competencies. Deploy experienced staff from non-emergency programmes to supplement emergency staff if necessary. Develop rosters of pre-checked, qualified staff who can be enlisted during a crisis. Agree with **other agencies** that you'll all share an informal list of unsatisfactory or corrupt employees, so they can't be 'recycled' between organisations. Negotiate streamlined emergency visa procedures as part of emergency preparedness, to prevent opportunistic demands for bribes.
- **Avoid overly complex HR policies that can't be implemented during a crisis**
Develop minimum requirements for the acute emergency phase. Don't bypass essential elements in the recruitment process, although time frames can be shortened. Advertise appropriately, even for short-term staff. Always involve more than one person in short-listing, testing and interviewing candidates. Collect and verify references, even if after the fact, and make necessary child protection checks.
- **Limit the use of special emergency procedures**
Set criteria, including a time limit, for re-establishing normal HR procedures and controls. Carry out vetting *ex-post* of staff recruited under emergency procedures.
- **Carry out adequate inductions, briefings and handovers**
Ensure all staff are adequately prepared for rapid deployment, receiving high-quality organisational inductions (including **values** and your **code of conduct**); country and project orientations (including security briefings), job briefings (including **corruption risk analysis**) and handovers. **Inductions** should cover anti-corruption policies and measures.
- **Always follow debriefing and exit procedures**
Debriefings are vital for organisational learning, so managers mustn't let staff leave without a detailed exit interview. Ensure all staff carry out handovers to replacements, and receive a

final performance review that can be fed into your emergency staff roster for possible future deployments. Liaise with finance staff when an employee leaves to ensure the payroll is amended accordingly.

You'll need

- To document fully all HR procedures throughout the employment cycle.

Challenges

- Ongoing attempts to short-cut HR controls. Ensure staff know why they're there and that they're non-negotiable.

Reference materials

Maxwell-Scott, Lucy and Dennison, Michèle: *Succession Planning*, People In Aid, 2007.

People In Aid: *Managing People in Emergencies: Recruitment Essentials*, 2006.

People In Aid: *Managing People in Emergencies: Recruitment Overview*, 2006.

People In Aid: *Policy Guide and Template: Recruitment and Selection*, 2008.



HUMAN RESOURCES

CONFLICT OF INTEREST

A. Corruption risks

Conflicts of interest arise when a staff member's outside interests affect (or are perceived to affect) his or her ability to act fairly and impartially at work. Opportunities for personal gain, or for family or close associates to benefit (nepotism or cronyism), may influence an individual's behaviour or decision-making to the detriment of your organisation's mission. Being in a conflict of interest situation is not in itself a form of corruption, but can lead to it, especially if this is hidden. Other people's perceptions of conflict of interest are also important, as they can damage your organisation's reputation for zero tolerance towards corruption. Only by eliminating conflicts of interest in agency decisions can you ensure staff behaviour that's fair, impartial and driven only by what's best for your organisation.

B. Watch out for

- Employees or their families with a lifestyle or assets well above their salary and official income level
- Reports of staff indulging in gambling, excessive entertaining or international travel, or boasting about their status
- Decisions that are not objectively justifiable and may reflect cronyism or nepotism

C. Prevention measures

- **Have a clear conflict of interest policy as part of your code of conduct**
A written policy enables staff to identify and avoid conflicts of interest, and tells staff what to do if they occur. Its existence makes a clear statement that decisions taken on any basis other than what's best for your organisation constitute corruption and undermine programme quality. Such a policy helps staff resist improper approaches, protecting them (and your organisation) from any appearance of harbouring corruption. Cover it thoroughly in **staff training and inductions**.
- **Oblige staff to avoid conflict of interest situations**
Be clear that employees may not engage in conduct where potential for personal or professional gain might affect their activities on behalf of your organisation. Staff should avoid actual or apparent conflict between work and private interests by disposing of the private interest or withdrawing from all related decisions at work. Implement a policy on staff acceptance of **gifts** and hospitality. Establish an **ethics office** to give staff guidance.
- **Ensure all staff sign an annual disclosure statement**
Staff should sign a yearly statement acknowledging their awareness of the policy and disclosing any real or potential conflicts of interest. Ensure that staff check with their supervisor regarding outside activities and associations that could cause or be perceived as conflict of interest. Provide a form listing specific types of interest. Make the declaration of interests a contractual obligation for employees; be diligent in collecting annual declarations and remind staff to update them if circumstances change. Inform staff of, and apply, **sanctions** for the non-declaration of interests.
- **Implement a policy for the declaration of assets**
Where privacy legislation permits, require managers to declare their assets and outside income. Monitor the veracity of declarations and update them regularly.

- **Create an open environment, conducive to discussion**
Communicate your policy widely and ensure staff don't feel afraid to disclose conflicts of interest. Be clear that having a conflict of interest isn't in itself wrong, but that not declaring it or remaining involved in decisions affected by it is unacceptable.
- **Pursue diversity in situations of entrenched interests**
Pursue a strategy of intentional diversification of staff backgrounds in contexts where you face deeply entrenched regionalism or tribalism.

You'll need

- A well-trained staff member of sufficient seniority, responsible for receiving declarations of interests and assets, and following them up where necessary.
- An ethics office or committee free from bias to handle tricky conflict of interest situations.
- A confidential register of interests, assets and outside income, accessible only by senior staff and used only to ensure staff act in your organisation's best interests.
- A clear explanation in staff inductions of the conflict of interest policy.

Challenges

- Staff failing to realise when they're facing a conflict of interest. Encourage open discussion so you can help them identify competing interests.
- Resistance to declaring assets and outside income on the grounds of privacy.

Reference materials

ACFID: *ACFID Code: integrity, values, accountability, Deakin ACT*, 2009.

CARE: *Conflict of Interest policy*, in "Employee Handbook", appendix 4, 2007.

Fluor Corporation: *Fluor Code of Business Conduct and Ethics*, 2008.

Nonprofit Risk Management Center: *Resources for Developing or Revising Conflict of Interest Policies*, 2008.

PATH: *PATH's Guiding Principles for Managing Conflict of Interest*, Seattle 2005.

SC Federation Inc.: *Code of ethics and business conduct*, 2006.

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TI: *TI Conflict of Interest Policy* n.d.



HUMAN RESOURCES

EXTORTION, INTIMIDATION AND COERCION OF STAFF

A. Corruption risks

Humanitarian action necessitates bringing large amounts of resources into resource-poor environments – inevitably attracting attention; often creating an impression of boundless availability; and sometimes igniting the desire to extract goods or money. Without adequate protection mechanisms, staff may be exposed to physical threat or psychological coercion to **pay for access** to relief goods or beneficiaries, hand over goods or money or to participate in corrupt activities. The agency may even be threatened with programme closure. These risks are particularly acute in conflict situations. A programme without adequate security measures is a soft target for corrupt actors ready to use extortion or to intimidate staff.

B. Watch out for

- Unusual signs of staff stress
- Odd explanations for unforeseen payments made in the field
- Aggressive or threatening behaviour by local leaders, militia, politicians or the military

C. Prevention measures

- **Have a clear policy on how to respond to threats**
Assess **corruption risks** and related security threats as part of **emergency preparedness**, to help you design the best response possible in a particular security context. Listen to local staff and people to ascertain the nature and timing of potential threats. Make the observation of security rules mandatory and ensure personal behaviour doesn't increase risk, e.g. careless talk about assets. Clarify that staff should not put their own safety or that of beneficiaries at risk.
- **Train and thoroughly brief all staff on security**
Fully train all staff in general security principles (e.g. travel protocols), incorporating potential corruption risks; give detailed briefings on country and local circumstances; and include security in job-specific training (e.g. defensive driving techniques). Train staff in negotiating skills. Ensure equitable access to security training for all staff: don't assume that local knowledge and acceptance make national staff less vulnerable than international staff.
- **Clarify that corruption will hurt beneficiaries**
There is often a perception that relief resources come from rich foreigners and thus are 'fair game'. Staff should explain to the extorters that the funds or goods don't really belong to the agency, but to the emergency-affected people, and that diverting them will increase the suffering of their own communities.
- **Report incidents of intimidation transparently**
Oblige staff to report and document all field security incidents so you can collect and analyse data. If payment of bribes is unavoidable due to physical threats to staff or beneficiaries, report this transparently. Ensure that those who report coercion will be taken seriously and adequately protected, in the same way as **whistle-blowers**. Share learning across your organisation and with other organisations.

- **Cooperate with other agencies on security matters**
Create **inter-agency** security forums at field level, so you can share security tools and methods; identify threats, patterns and trends; share experience of commercial security providers; agree on joint policies and engage collectively with local authorities to increase security.

You'll need

- A thorough knowledge of the local context.
- To discuss this issue openly with all staff, your donors and implementing partners.
- The clear segregation of duties, to protect staff (so no one employee can facilitate a corrupt act alone).

Challenges

- Staff reluctance to report all security incidents for fear of further threats, HQ interference in the programme or career damage if an incident is seen as an individual's fault.

Reference materials

AID: *Personal Security*, 2009.

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WV: *HISS-CAM: A decision making tool*, 2008.



HUMAN RESOURCES

BEHAVIOUR CONDUCTIVE TO CORRUPTION

A. Corruption risks

Wasteful, careless or provocative behaviour by agency staff, especially expatriates or managers, can create an enabling environment for the corrupt abuse of aid resources by local authorities, beneficiaries or local agency staff. Power imbalances mean local people can perceive agency resources as belonging to rich outsiders, rather than to the affected community and therefore requiring careful stewarding. If they see international agencies paying inflated prices for accommodation, vehicles, goods and staff, local people may consider agencies wasteful and conclude it's legitimate to exploit them. (They may even consider profligacy as a form of corruption, especially if effective assistance is not being delivered). Staff lifestyles and private behaviour may be inappropriate in terms of local culture and customs. While not necessarily constituting corruption, such behaviour can alienate local people, creating an enabling environment for corruption by causing them to see an agency and its resources as legitimate targets for exploitation and abuse.

B. Watch out for

- Reports of local people speaking with contempt about international aid agencies, their staff or resources
- Local media reports about the waste, profligacy or ineffectiveness of international aid agencies
- Reports of inappropriate private behaviour of agency staff, especially expatriates or managers

C. Prevention measures

- **Monitor and evaluate aid recipient opinions of your agency**
Use formal and informal channels to keep in touch with beneficiaries' opinions of international aid agencies in general, and yours in particular. Encourage staff to talk informally with beneficiaries while working with them on programme design and implementation, and carry out periodic surveys of their perceptions of agency effectiveness as part of **M&E**. Respond proactively to build strong community relations.
- **Encourage beneficiaries to feel ownership of aid resources**
Empower local communities to take greater control of and responsibility for humanitarian aid resources. Include **beneficiaries** in decision-making on **targeting**, allocation and **distribution**, and make them responsible for monitoring the equitable use of aid. Be clear that violations of trust and failure to fulfil this responsibility will be sanctioned and may even lead to the withdrawal of assistance. Brief communities on reporting inappropriate staff behaviour.
- **Brief staff thoroughly on local customs, morals and values**
Carry out a thorough **contextual analysis** as part of **emergency preparedness**. Before an emergency posting, train all staff (especially expatriate) in local culture, customs and appropriate behaviour. Relate this to your agency's **values** and **code of conduct**. Emphasise that all behaviour, whether professional or personal, affects the agency's image and effectiveness. Encourage staff to show empathy and be sensitive both to local values and universal human feelings. Staff should avoid arrogant or disrespectful behaviour, flaunting personal resources, violating local customs, excessive drinking, or sexual relations with

- people from the local community (even if not actual beneficiaries).
- **Provide staff with guidance on ethical behaviour and stress-management support**
Support staff through an **ethics office** or designated manager-level ombudsman to advise them confidentially on ethical matters regarding colleagues' or their own behaviour, and on handling pressures for corruption from outside the agency. Create a staff counselling office or include mental wellbeing under staff health services, to help managers and staff deal with personal stress or that of their subordinates. Counselling personnel should visit field offices regularly to better understand the realities and pressures of emergency work.
- **Be open with staff about benefits for international vs. local employees**
Explain clearly to all staff the benefits for international vs. local staff, and why they are set this way, so international benefits don't seem like unfair perks. Have clear policies and limits on benefits, and harmonise local and international staff benefits as far as possible, to reduce the temptation for unethical behaviour.

You'll need

- To train field managers and staff to watch for signs of inappropriate behaviour and stress in themselves and their team members.
- To consider local behavioural norms in your corruption risk analysis.

Challenges

- Negotiating the fine line between necessary expenditure, waste and corruption (perceptions of which often vary between agencies and local communities).
- Extreme stress impairing staff judgement about their own behaviour; expatriate staff may behave quite differently from the way they would at home.

Reference Materials

HAP International: *Benchmark 4: Competent staff*, in *"The Guide to the HAP Standard: Humanitarian Accountability and Quality Management, 2008.*

People In Aid: *Policy Guidelines: Induction, Briefing and Handover, 2005.*

Swords, Sarah: *Behaviours which lead to effective performance in humanitarian response: A review of the use and effectiveness of competency frameworks within the Humanitarian Sector, People In Aid, 2007.*

CDA: *Listening Project: Views from the receiving end of international assistance, 2007.*



OPERATING IN A CASH ENVIRONMENT

A. Corruption risks

A newly established field office may be run entirely with physical cash in the earliest stages of an emergency, before it has set up banking facilities or when the banking system has been damaged in a crisis. Programmes that have cash-for-work components or that use **cash transfers** to beneficiaries may need to keep a substantial amount of cash on hand. Large amounts of readily available cash may generate strong temptation to corruption. Cash may easily be stolen or embezzled by staff, who may falsify or fail to keep records in order to cover their tracks, or may be bribed or coerced into informing thieves about cash availability.

B. Watch out for

- Unjustified requests for cash payments to beneficiaries instead of relief goods and services
- Incomplete financial records
- Wages paid to 'ghost workers'
- Financial records that are altered or suspiciously uniform (and could have been rewritten), or electronic records that 'crash' and have to be re-entered

C. Prevention measures

- **Outline specific procedures for cash-only operations**
Have clear written guidelines for working in a cash environment, and ensure all staff are familiar with them. Make careful security provisions to protect cash and financial records. Ensure a daily cash ledger is kept; strict procedures for the transport and custody of cash are observed, and all transactions documented. Always separate your accounting and cash-custodian functions, however small your team.
- **Instigate strict cash controls**
Keep money coming in separate from money going out; give and obtain receipts; always pay surplus cash into the bank (never leave it lying around an office – a casual approach to cash encourages people to 'borrow' money, which can lead on to fraud). Restrict access to petty cash and safes, and keep cash transactions to an absolute minimum.
- **Enforce strict cash receipts procedures**
Always give receipts for money received from a numbered receipt book, written in ink, not pencil. Enforce strict control over access to receipt books. Always obtain receipts for money paid out. If impossible, e.g. at a market, record each transaction immediately and then transfer the amounts to a petty cash slip for authorisation by a line manager. Stamp 'paid' vouchers and support documents, to prevent reuse.
- **Insist supporting documents are always kept and filed**
Documentation of all financial transactions must be produced and kept, as missing supporting documents may have been 'lost' or destroyed to cover someone's tracks. Use official printed purchase requisitions, purchase orders, cash receipts and disbursement vouchers, and payment requests, so no one can override procedures and all transactions can be followed from initiation to payment. The reconciliation statement must be checked independently by a line manager, and managers should verify accounting records to ensure there are no errors or omissions in the petty cash book, stock control records or wage book.

- **Carry out unannounced spot checks and audits**
Managers should carry out regular, independent spot-counts of cash (both office balances and petty cash) and reconcile them to budgets. All cash counts must have two people present (the person doing the unannounced count and the cash custodian) and be documented, with the document signed and dated by both people. Spot-check that accounts are up-to-date and supported by all necessary documentation and ensure that regular unannounced **audits** are carried out by an independent audit team.

You'll need

- Specific, clearly documented procedures for operating in cash-only environments. Ensure that all emergency staff understand and implement them.
- An independent internal audit function to ensure records are well kept and that they relate to actual expenses.
- To insure the total cash in the field at any one time (petty cash, per diems not yet distributed, floats, and money in transit).

Challenges

- The need to maintain separate accounting and cash custodian functions, even in situations with limited staff numbers.

Reference materials

Bailey, Sarah: *Cash transfers in emergencies: A synthesis of World Vision's experience and learning*, HPG, ODI, WV, London 2008.

Financial Management for Emergencies (FME): Cash: Overview, 2005.

FME: Resources, 2005.

Harvey, Paul: *Cash-based responses in emergencies*, HPG Briefing Paper 25, ODI, London 2007.

IFRC: *Guidelines for cash transfer programming*, Geneva 2007.

MANGO: *Top Tips for Controlling Cash*, 2008.



ISSUES IN CASH-BASED PROGRAMMING

A. Corruption risks

Working with cash presents special corruption risks. Fraud within the banking system may occur, or the theft of cash being carried (with or without staff collusion, or via payouts, blackmail or intimidation of staff to inform thieves about cash availability). Funds may be diverted on receipt by staff or local cash-for-work (CfW) group leaders. False transfers may be initiated by staff in agency or partner head offices, or transfers made on false reports, e.g. payments for goods or services not received. Payroll fraud is especially likely in situations with many temporary or short-term staff and rapid turnover, and in CfW programmes. Money merchants may collude to fix exchange rates, or collusion may occur between agency staff and money merchants. Staff may change currency on the black market, delivering money to the agency at bank rates and pocketing the surplus.

B. Watch out for

- Bank accounts opened in a false name similar to that of your agency
- Bank transfers that are very slow (stalled to earn interest that is then pocketed)
- Staff requesting advances that are not recorded
- Payments not being paid directly to the recipient
- Cash payment receipts or signature sheets that have similar signatures or are predominantly thumbprints
- Financial records that are altered or suspiciously uniform (and could have been rewritten), or electronic records that 'crash' and have to be re-entered
- Currency exchange transactions without official bank documentation

C. Prevention measures

- **Choose the right bank carefully**
Work with the bank you currently have an institutional relationship with (or build a relationship with a reputable international bank); ask them to recommend local banks where necessary. Requests to open new accounts need senior management approval. Keep manual or electronic ledgers for each account; attach bank reconciliation forms listing all deposits and withdrawals to bank statements and submit with monthly accounts. Get quotes for exchange rates. Double-check account names and numbers before signing transfers. Check that money sent between banks is received.
- **Pre-arrange transfer plans with reliable local contacts**
In extreme cases, where no banking services are available, cash may be acquired locally, e.g. from a supplier or trader who provides local currency in return for payment into a foreign account. Ensure senior authorisation from within your organisation and only transfer your funds on receipt of local cash (it's very hard to recover money once it has been deposited into another bank account).
- **Use professional couriers where necessary and possible**
Local remittance companies can transfer cash or distribute it to recipients in remote areas. Ensure they agree to verify and document all transfers, take full liability for monies and agree to cover any lost or misallocated funds. Move cash on different (i.e. unpredictable) days of the week using varied routes. Ensure you use a bonded courier. Carry out documented cash counts with professional couriers.

- **Pre-plan discreetly for cash carried by team members**
Explore all other options before letting staff carry large amounts of cash. Consider carefully who should carry cash, how much should go with one person and who needs to know. Keep the number of people as low as possible and don't discuss it more than necessary. Use code for discussions that might be overheard; never use open radio, and in some countries, not email. If not too bulky, carry cash in a well-hidden money belt. Assess the best transport and route. Cash must be counted, documented and signed for each time it's handed from one person to another. If possible, insure all cash in the field.
- **Consider a voucher payment scheme or direct cash transfers to beneficiaries**
Consider paying recipients directly via banks or post offices, removing the need for agency staff or local authorities to handle cash. (Cash payments to beneficiaries may entail lower corruption risks than the procurement and distribution of goods and services.) Be open to innovation, e.g. cell phone cash transfers.
- **Be especially alert for payroll fraud**
Emergency programme payrolls change rapidly, so finance staff should liaise regularly with HR to ensure the payroll contains no 'ghost workers' (fictitious or former employees whose wages are received by someone else). Check for salary inflation (with surpluses diverted) and that no staff member has the opportunity to pocket part of a team's cash wages. Use automated processes for salaries if banks are available.

You'll need

- Standard forms for cash transfers (in triplicate – for the issuing office, for the carrier to bring back signed by the receiver and for the receiving office).
- A clear policy on who's responsible for cash carried by staff if it disappears. The agency should be responsible only if a police report is filed and it's proven staff took all necessary steps to prevent the theft. (This also applies to other assets, such as laptops and satellite phones, which staff can falsely claim were stolen.)
- To rotate finance staff to reduce the risk of collusion.
- To ensure that partner agencies take adequate precautions to safeguard cash.

Challenges

- Balancing transparency with staff security when transferring money. There's a responsibility to tell staff if they're carrying cash in an insecure area – but who *really* needs to know?

Reference materials

European Commission: *The Use of Cash and Vouchers In Humanitarian Crisis, DG-ECHO funding guidelines, 2009.*

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FINANCIAL FRAUD AND EMBEZZLEMENT

A. Corruption risks

Embezzlers may have signature authority and make payments on misleading or false reports by agency staff, through a desire to keep projects going, maintain agency or staff reputations or to divert funds for private gain. Projects or overheads may be double-funded and funds diverted. An agency may inflate costs to gain funding or bribe donor staff to secure funding. Bogus partners may be established to receive funds. At the end of a response, assets may be disposed of at below market price in return for financial gain (or stolen by staff or others, possibly involving the bribery of staff) or severance payments made to 'ghost' workers.

B. Watch out for

- Staff accumulating but unwilling to take leave (for fear of wrong-doing being exposed).
- Lack of audit trails and documentation.
- Long-established staff relationships that go beyond professional levels.
- Staff lifestyles that exceed earning capacity and family circumstances.
- Short-cuts in procurement processes.

C. Prevention measures

- **Have a fraud response plan in place**
Have written procedures for dealing with fraud, embezzlement or financial irregularities. The fraud response plan should include instructions on how to report suspected fraud, the **investigation** process, how to liaise with external auditors, how and when to involve local law enforcement authorities, and dealing with reputational risk.
- **Establish whistle-blowing procedures and sanctions for fraud**
As a deterrent, state that routine controls are in place and that failure to cooperate with internal controls is a disciplinary offence. Identify types of irregularity and the sanctions each incurs. Ensure staff know and understand whistle-blower procedures.
- **Maintain strict separation of duties and carry out spot-checks**
Always follow a formal **procurement** process. The duties of ordering goods, receiving goods, authorising payment, keeping accounting records and reconciling accounts should never lie with one person but must be spread through a team. If practicable, consider establishing a threshold for two signatures on cheques. Require that staff covering for others on leave check for irregularities. Managers should make random checks and authorise accounting records, count petty cash and review orders for supplies.
- **Clearly document levels of authority**
Have a delegated authority register that specifies who can make decisions and commit expenditure. Limit numbers of signatories and maintain the register well (i.e. be sure to delete signatories when they leave the agency). The register should cover who can place and authorise orders for goods and services, sign cheques, access the safe and petty cash, and check and authorise accounting records. Be clear that a breach of delegated authority is a disciplinary offence, that no one may authorise a transaction from which they personally benefit, and subordinates can't authorise payments to managers (a more senior manager must make the authorisation). Review and update the authority document regularly.

- **Instigate strict cash controls**
Keep money coming in separate from money going out; give and obtain receipts; always pay surplus cash into the bank (never leave it lying around an office – a casual approach to cash encourages people to 'borrow' money, which can lead on to fraud). Restrict access to petty cash and safes, and keep cash transactions to an absolute minimum.
- **Share information with other aid providers and donors**
Inter-agency coordination on projects and financial flows can help avoid double funding. Specify clearly who is allowed to share information with other agencies, in what circumstances and how. Consider both legal and agency perspectives, and in particular, security.

You'll need

- A confidential whistle-blowing mechanism, so staff can report concerns without fear of retribution.
- A forum for coordinating information with other aid providers and donors, to prevent double funding.
- Training resources to develop financial skills in all managers.
- To ensure **partner agencies** adhere to your own strict financial standards.

Challenges

- Possible media scandals
- Serious financial implications, including agency reimbursement of lost funds to the donor and an impact on future fundraising efforts
- Long-term and less tangible impacts of fraud on staff morale and on an agency's reputation

Reference materials

IR Worldwide: Financial Guidelines, 2007 (unpublished document)

KPMG International: Fraud Risk Management: Developing a Strategy for Prevention, Detection and Response, 2006.

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PricewaterhouseCoopers: The Global Economic Crime Survey: Economic Crime in a downturn, 2009.



IMPROPER ACCOUNTING

A. Corruption risks

The falsification or destruction of accounting records may take place in order to conceal an improper action. Records may not be kept up-to-date and be deliberately delayed so that managers can't detect false accounting. There may be a lack of orderly processes or controls; existing policies may not be regularly followed, or independent reconciliations may not be performed, allowing the diversion of funds to go unnoticed.

B. Watch out for

- Accounting systems that have limited audit trails and documentation
- Accounting software systems that are weak in terms of data security
- Invoices that require payment into individual private bank accounts
- Regular payments not referenced to a contract
- Budgets that don't align with programme activities
- Ageing records and late payments
- The timing of payments: if some vendors are paid after 20 days, some after one, this can indicate bias
- Stories of accounting systems 'crashing' so that all data has to be manually re-entered; check carefully when data was posted
- Lack of separation of duties

C. Prevention measures

- **Maintain management vigilance and the strict separation of duties**
Management must **monitor** financial activities adequately, be aware of fraud risks and follow up questionable or unusual transactions. Ensure managers understand what they're signing when they sign off financial documents and accounts, and that all senior managers take time to look at figures and don't simply regard this as a formality, relying on accounts staff to do it for them. Preparation, verification and approval of finance reports and transactions must be carried out by different people. A finance person can never approve a report, and the person processing transactions mustn't be the person processing payments. The reconciliation statement must be checked independently by a line manager, and managers should verify accounting records to ensure there are no errors or omissions in the bank book, petty cash book, stock control records or wage book. Budget effectively so managers can check actual income and expenditure against budgets and identify any unexpected anomalies.
- **Ensure financial skills are part of surge capacity**
As part of **emergency preparedness**, include experienced financial staff in the ERT (**surge capacity**), to set up strong financial systems right from the beginning of a response. Have these senior staff train local staff in the proper financial procedures.
- **Have strict accounting processes and controls**
Ensure routine controls, checks and balances are in place to safeguard the assets of the organisation and to protect staff from any suspicion of, or temptation to, fraud or other impropriety. Define systems that must be in place within specified time limits (two weeks, three months, six months, etc.) after an emergency; require written justification if these timings are not met; document this carefully. Make sure record keeping is organised

(procedures followed; proper filing); consistent (don't change methods from month to month) and up-to-date. Carry out independent reconciliations of accounting records. Ensure staff know they're obliged to co-operate fully with internal control procedures and failure to do so is a disciplinary offence.

- **Carry out unannounced spot-checks**
Carry out regular, independent spot-counts of cash: office balances (for a **cash office** in the early stages of an emergency) and petty cash, and reconcile them to budgets. Spot-check that accounts are up-to-date and supported by all necessary documentation.
- **Insist supporting documents are always kept and filed**
Documentation of all financial transactions must be produced and kept, as missing supporting documents or bank statements may have been 'lost' or destroyed to cover someone's tracks. Use official printed purchase requisitions, purchase orders, cash receipts, disbursement vouchers and payment requests, so no one can override procedures and all transactions can be followed from initiation to payment. Avoid the use of suspense or clearing accounts for processing payments.
- **Carry out regular, thorough internal and external audits**
Carry out independent external audits to meet legal requirements and check accounting records are correct and fully backed up by proper documentation. Use independent internal audits to ensure proper controls are being applied. Carry out periodic random or surprise audits. Management must check that audits are linked to inventories and programme activities.
- **Have a fraud response plan in place**

You'll need

- To ensure that accounts are up-to-date, whatever the pressure of an emergency.
- Systems that ensure management vigilance over the whole accounts process, and qualified managers with the right skills for this.
- To deploy enough finance staff to allow for regular reviews and spot-checks.

Challenges

- The need for your auditors to check the accounts of **partner organisations** and agents. Insist on the right of access to all books, records and financial documents.
- A lack of local capacity to implement and develop financial systems (more than an accounting skill set).

Reference materials

AA International: *Financial Management Framework*, n.d.

FME: *Overview*, 2005.

FME: *Resources*, 2005.

MANGO: *Manual*, see in particular: *Dealing with Fraud and Other Irregularities*, 2005.

MANGO: *Resources*, 2005.



FALSE OR INFLATED INVOICES OR RECEIPTS

A. Corruption risks

Receipts may be obtained from a supplier for goods that haven't been bought, or for more than the cost of the goods, and then presented for payment or to support an expense claim. An agency may make a payment against an invoice that doesn't show that a discount was given and paid to the purchaser as a bribe. Receipts can be difficult to collect in emergencies, particularly if people don't read or write or paper is in short supply, enabling false expense or expenditure claims to be made. Staff may invent 'ghost' suppliers in order to claim payments or pocket cash allocated to pay debtors (e.g. if there are poor controls in issuing receipt books, someone could take an unused book and issue official receipts without their being entered into the accounting records).

B. Watch out for

- Invoices with missing information
- Carbon or photocopied duplicate invoices
- Invoices for goods not accompanied by a signed 'goods received' note and an order number
- Invoices for unspecified consulting fees
- Rumours of scams: be connected, talk to people
- Invoices that require payment into individual private bank accounts
- False or forged receipts; people buying receipts from vendors for their own use

C. Prevention measures

- **Select suppliers carefully**
Always vet suppliers and follow a thorough and documented procurement process.
- **Check invoices against actual goods and services received**
Only original invoices should be paid unless the duplicate can be verified. Invoices must only be paid when signed by the authorising manager, who should be familiar with projects in order to verify expenditures. All invoices must be sent to the department receiving the goods and inspected in comparison with the **original technical specifications and order** and the goods received, by someone with specialist knowledge of the goods and who is independent of the authorisation function. Ensure before payment that invoices reflect requisitions and contracts. Consulting fees should be specified in contracts. Reconcile expenditure to ledgers immediately – or after no more than a day.
- **Enforce strict cash receipts procedures**
Pay direct into a bank account wherever possible. If paying cash, always give receipts for money received from a numbered receipt book, written in ink, not pencil. Enforce strict control over access to receipt books. Always obtain receipts for money paid out. If impossible, e.g. at a market, record each transaction immediately and then transfer the amounts to a petty cash slip for authorisation by a line manager. Stamp 'paid' vouchers and support documents, to prevent reuse.
- **Separate staff responsibilities for processing payments**
Different members of staff must be responsible for approving invoices or expenses and for payment in cash or via bank transfers. Local payments should be made by cheque; if

practicable, consider establishing a threshold for two signatures on cheques. If not operating in a cash environment, set an upper limit for cash payments (e.g. US\$ 100), above which signed cheques are required.

You'll need

- Firm control of computer usage, access to records and receipt books.
- An adequate number of staff, the segregation of duties (especially receiving from purchasing) and staff rotation if possible (consider secondments).
- Procedures for **cash management**.

Challenges

- Ensuring accounting staff maintain a professional distance in relations with suppliers.

Reference materials

AA International: *Financial Management Framework*, n.d.

FME: *Resources*, 2005.

MANGO: *Mango's Top Tips for Recruiting the Best Finance Staff*, 2009.

MANGO: *Top Tips for Controlling Cash*, 2008.



MANIPULATED AUDITS

A. Corruption risks

Accurate audits – internal and external – are an important tool for demonstrating integrity, transparency and accountability, but auditors may be unfamiliar with particular fraud or corruption risks, which may also be beyond the scope of the audit. They may be bribed or may demand a bribe to cover up corruption, or inexperienced audit staff may not be able to go beyond the paper trail to uncover **collusion** or kickbacks.

B. Watch out for

- Complex, technical audit reports that are hard to understand (e.g. tables of numbers with unclear or limited narrative)
- Auditors appointed by just one person or by a manager (rather than by your trustees or audit committee)
- Auditors linked to people in the organisation
- Auditors lacking professional qualifications or relevant experience
- Partner agencies lacking an audit committee
- Auditors who don't bother to go beyond the paper trail

C. Prevention measures

- **Hold managers accountable for audit success**
Managers should be held fully accountable for monitoring fraud, possible fraud and collusion. Don't let responsibility for corruption rest in the audit silo: it must enter the general programme mainstream. Managers must tie responsibility to **accountability**, carry out regular random spot-checks of receipts and records, and apply clear **sanctions** to staff who knowingly mislead or fail to disclose information to auditors.
- **Check the independence of internal and external auditors**
Auditors should never be appointed by just one person or by a manager, but must be appointed by your agency's trustees. Before appointment, check that firms and individuals have no **conflicts of interest** or possible **biases**. Require that they sign a disclosure of conflict of interest. Use an audit team or ensure that audits are double-checked. Agency trustees should review and re-appoint auditors regularly.
- **Have a written methodology for audits**
Ensure all audits are carefully planned and that they test the effectiveness of your internal control systems as well as the accuracy of individual transactions. Audits should use clear, structured questionnaires and scoring systems, and they must not be just paper-based: it's vital that they involve physical checks to ensure that the paper trail corresponds with what actually took place. They must result in a formal audit report, to be submitted to your organisation's governing body.
- **Pay special attention to **compliance** and internal controls**
Audits must specifically verify whether each control appears to have been performed, and whether specific procedures or rules are being followed. They should check the segregation of duties, management philosophy and operating style, independent reviews, and assignment of authority and responsibility (the overall supervisory controls exercised by management, the review of management accounts and comparison with budgets).

- **Give auditors unrestricted access to documents and people**
Auditors must be able to access the documents they need and meet people with the right knowledge and experience to answer their questions competently, both in your agency and in **partner agencies**. Auditors should ask management and staff about corruption risks and whether they're aware of any corruption. Be clear that all staff must cooperate with auditors and that it's a disciplinary offence to fail to do so.
- **Ensure your governing body verifies audits**
Your organisation's board or governing body must oversee the financial auditor's work (or appoint an audit committee to do so). The board should ensure that audits test areas, locations and accounts that might otherwise be missed, and should prepare the way for auditors by reviewing internal controls periodically and checking financial reports monthly. Ensure your partner agencies also have an audit committee.

You'll need

- Auditors who brainstorm to identify risk areas and think constantly: "If someone wanted to perpetrate a fraud, how would it be done?"
- Proper **investigation** of suspected corruption arising from an audit and the application of sanctions if corruption is proven.

Challenges

- Auditing your partner organisations' procedures, controls and work.
- The need for every audit to test for the management override of controls.

Reference materials

AA International: *Financial Management Framework*, n.d.

AA Sri Lanka: *Social Audit: Ensuring that programme implementation is transparent, monitored by the community and accountable to right holders*, Colombo n.d. (unpublished document)

FME: *Overview*, 2005.

FME: *Resources*, 2005.

ISO and IAF: *ISO 9001 Auditing Practices Group*, Geneva, Cherrybrook 2004.

MANGO: *Manual*, 2005.

MANGO: *Resources*, 2005.



PAYROLL AND CLAIMS FRAUD

A. Corruption risks

Complex, evolving and all about cash, payrolls provide one of the easiest inroads for corruption into emergency programmes. Payroll fraud can be large-scale and ongoing, in the form of 'ghost workers' (fictitious or former employees whose wages are received by someone else), salary inflation with surpluses diverted, or a staff member such as a cashier or a foreman pocketing part of a team's cash wages. Or it can be small-scale and random, via loans or advances that aren't repaid or false claims for benefits or bonuses. Someone in charge of payroll may make unauthorised loans to employees and keep the interest payments. Much fraud takes place around benefits, e.g. allowances – per diems, transport, education – that don't attract tax. Payroll fraud is especially likely in situations with many temporary or short-term staff and rapid turnover.

B. Watch out for

- Sudden unexplained increases in payroll numbers or cost
- Salaries continuing to be paid to employees who have left the agency
- Perfect attendance records for field work teams (are people really never sick?)
- Similar signatures or too many thumbprints on pay receipts
- Unusual items such as payments for vacations, removal costs or other benefits
- Unexplained increases in salaries of payroll staff

C. Prevention measures

- **Train payroll staff and double-check their work**
Ensure payroll staff understand fully your financial procedures and enforcement processes. Give them access to the complete file of contracts, advances and loans so they can reconcile payments and deductions with those files. Rotate responsibility for individual payroll functions between a number of staff; the entire function should not be in the hands of any one employee. Ensure the payroll is checked by another person in the accounts department (who is qualified and independent) before being signed off by the programme manager.
- **Ensure all entries are backed by documentation**
All payroll entries and benefits claims should be based on signed contracts, per diems, allowance forms, loan agreements, etc. Never accept a payroll entry or claim based on a personal request: no document should mean no pay. Present all relevant files to the programme manager when submitting the payroll for sign-off.
- **Ensure managers carry out spot-checks**
Payroll should be **monitored** and **audited** carefully. Managers should check that all money signed off for pay goes where the payroll says it will. Ensure all net wages are signed for, and spot-check salaries, per diems and the reconciliation of advances or loans against original documentation. Count the number of staff on the payroll and ask about any unfamiliar names, or cross-check names with other staff to ensure there are no ghost employees. Nothing substitutes for the evidence of your own eyes: managers should make random visits to offices to check that all paid employees really exist. Confirm that the payroll adds up and that the net payment signed off equals the number on the payroll.

- **Pay particular attention to temporary or casual staff**
Managers should visit sites to count temporary staff and watch them working. Check that all have received their full pay and no money was skimmed off, e.g. by a foreman. Review sign-off sheets or pay receipts carefully. Compare payrolls and check all new names, that they have a signed contract and that the payroll corresponds. Keep a schedule of leavers, to help ensure their pay stops after they've left and can't be pocketed by anyone else. Maintain management oversight of staff receivables: confirm an employee has no outstanding receivables before their final payment is processed.
- **Keep payroll items strictly on the payroll**
Never let payroll items (e.g. advances, loans) go through off-payroll. Restrict these and deduct them from the payroll in the current month. Random wage and benefit payments processed on ordinary payment vouchers may all be individually plausible, but make it impossible to put the whole payroll together and spot double or dubious payments.
- **Promote a working partnership between HR and Finance**
Cooperation between HR and finance teams can provide checks and balances against corruption, particularly regarding the staff exit process, e.g. if someone leaves but Finance is unaware and keeps running their salary.

You'll need

- Enough people trained in payroll functions to allow adequate rotation of staff.
- To communicate and enforce a system of **sanctions** against payroll fraudsters.

Challenges

- Scrutinising carefully the pay and benefits of the accounts department, especially those of the person making up the payroll.
- Over-reliance on documents, which can be manipulated: spot-checks are crucial.
- Physical insecurity or remoteness of sites making spot-checks difficult or preventing them.

Reference materials

Hale, Simon: *How to Avoid Payroll Fraud*, People In Aid, 2006.

MANGO: *Dealing with Fraud and Other Irregularities*, 2005.

MANGO: *Fraud*, 2005.



PAYMENT FOR LOCAL PERMITS OR ACCESS TO PUBLIC SERVICES

A. Corruption risks

The need to obtain permits, licences and access to public services such as electricity, water supply or telephone lines provides opportunity for officials to seek or respond to bribes, especially if the process is slow. Officials may demand a bribe to speed things up or to overlook real or concocted infringements of rules. Agencies may inadvertently (or deliberately) 'outsource' the problem by using local intermediaries who bribe on their behalf ("facilitation payments").

B. Watch out for

- Deliberate delays by officials in processing permits, licences or service requests
- Officials inventing extra rules, procedures or fees that are not in the published regulations
- Extraordinary difficulty in accessing public services such as electricity, etc.
- Fees that are higher than expected for public services
- Substantial payments to agents or other local intermediaries
- Agents claiming personal relations with high-level officials; who are recommended by officials you're negotiating with; who appear just as you encounter problems; or who want payment in cash via third parties

C. Prevention measures

- **Pre-arrange paperwork with authorities**
As part of **emergency preparedness**, familiarise yourself with all procedures and regulations for accessing public services, so applications are lodged correctly and bribes can't be extracted in return for 'overlooking' a mistake. Have all paperwork ready or pre-lodged with relevant authorities.
- **Train staff to deal with demands for bribes**
Train staff in how to handle specific situations through cultural awareness and negotiating skills, e.g. play for time; treat officials with politeness and respect, even if they're apparently breaking rules; show patient determination; ask to see a senior official. Back this with a clear **anti-corruption policy** and a **code of conduct** (useful weapons for staff when asked for payment). Publicise your policies: if your organisation is known for its strong stand against corruption, it's easier for staff to resist demands and you're less likely to be asked in the first place.
- **Have a clear policy on the role of agents and on facilitation payments**
Make any third parties (e.g. local agents) sign a contract agreeing to abide by your code of conduct and declare any **conflicts of interest**. Ensure they won't bribe on your behalf. Use a strict selection process and clearly record your decision making. Review the justification for all payments made to agents or other third parties.
- **Unite with other agencies against corrupt facilitation payments**
Coordinate with other agencies to issue a joint anti-corruption declaration, and hold joint staff training in how to act when faced with corrupt demands for payment.

You'll need

- To avoid meeting officials alone. It's harder to seek bribes with witnesses.
- Procedures for recording transparently all payments to officials.
- To document all discussions and contract negotiations (different teams or people sometimes carry forward negotiations).
- To be aware of **corruption risks** in your operating environment.

Challenges

- Dealing with unavoidable payments (e.g. if staff face danger from **intimidation or coercion**). Ensure staff know that their safety and that of beneficiaries comes first, but that they must report payments of such bribes.

Reference materials

Bray, John: *Facing up to Corruption: a Practical Business Guide*, Simmons & Simmons, London 2006.

European Union (EU): *International convention on the simplification and harmonisation of customs procedures*, 2005.

Logistics Cluster: *United Nations Logistics Centre*, 2009.

OCHA: *Customs Model Agreement between the United Nations and a State/Government*, 2008.

OCHA: *Model Agreement*, Geneva 1996.