



Background

At its meeting in November 2014, the CERF Advisory Group discussed the mechanisms and processes in place to deal with cases of potential fraudulent practice¹ in the use of CERF funds (hereafter simply referred to as fraud), and the challenges associated with communicating potential cases of fraud to CERF's donors. The Group reiterated that fraud poses a serious risk to humanitarian action, to the reputation of CERF and to the United Nations. They reaffirmed that fraud related to CERF funds should be treated in accordance with the existing oversight rules and mechanisms of the recipient agencies and be informed by the on-going system-wide efforts to ensure coherence of treatment of fraud within the United Nations. The Advisory Group also requested that the CERF secretariat develop guidelines for its procedures relating to sharing fraud-related information with its donors.

In line with this request, this note sets out procedures for communicating potential cases of fraud under CERF funded projects implemented by recipient agencies and their implementing partners. The guidance outlines communication responsibilities of CERF recipient agencies and of the CERF secretariat.

This guidance shall be considered in the context of broader system wide processes associated to risk and fraud management. This includes the work by the Risk Management Task Force established by the UN Development Group (UNDG) to develop a system-wide harmonized risk management and approach to fraud, and the discussion by the High-Level Committee on Management (HLCM) of common standards for risk management and treatment of fraud cases across UN Agencies. The CERF secretariat is following these initiatives closely.

Recipient agencies' information-sharing with the CERF secretariat regarding fraudulent use of CERF funds - proposed methodology

Recipient agencies shall inform the CERF secretariat in the event they open an investigation into possible fraudulent use of CERF funds under a project supported by CERF.

When: Unless agencies' investigation units finds that it may harm the investigation or be in violation with the agency's due process, CERF shall be informed at three points during the process: as soon as a formal investigation is opened by the recipient agency; once an investigation is finalized and once potential follow-up actions are concluded (including actions regarding the recovery of funds).

What: Upon opening of an investigation: In order to avoid jeopardizing the conduct of the investigation, the content of the briefing to CERF upon opening of an investigation should be at the agency's discretion. Upon finalizing an investigation: The investigation report and information relevant to the CERF project(s) implicated. If some recipient agencies' internal regulations will not allow them to share investigation reports, the information-sharing upon finalization of an investigation should be a summary including key findings of relevance to CERF. The information shared with CERF must adhere to the following minimum standards: country, project, amount at risk (if possible to assess), nature of allegations and management actions planned or taken after completion of the investigation². Upon conclusion of follow-up actions: Information deemed to be directly relevant for CERF and CERF's donors, including information on recovery or loss of CERF funds.

¹ "Fraudulent practice" is here defined as any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation. [Definition by the International Financial Institutions (IFI) Anti-Corruption Task Force: <http://siteresources.worldbank.org/INTDOI/Resourses/FinalFITaskForceFramework&Gdlines.pdf>]

² Should the policies and procedures of the recipient agency prevent sharing of some of this minimum information this shall be communicated to CERF.

How: The investigation service³ of the respective agency will inform by letter or email the ERC and the Chief of CERF. The CERF secretariat will log each case and follow up with the respective agency until conclusion of the case. Fraud cases involving CERF funds will be a standing agenda item in the annual consultations between the Chief of CERF and recipient agencies. The consultations will focus on reported allegations resulting in investigations being launched and in results of completed investigations reported. The consultations will also address trends in reported allegations, effectiveness of communication on the matter and outcome of CERF communication with its donors on cases.

The CERF secretariat's information-sharing with donors regarding fraudulent use of CERF funds – proposed methodology

The CERF secretariat shall inform donors in the event that information regarding potential fraudulent use of CERF funds is formally submitted by a recipient agency to the CERF secretariat. In order to minimize any risk to the confidentiality and integrity of investigations and violations of an agency's due process, CERF's communication on investigations to donors should only be made by CERF with clearance of the investigative unit of the respective agency.

When: Once information for communication (as per the above) is shared with the CERF secretariat and cleared for onward communication⁴.

What: The cleared information provided by the recipient agency.

How: By letter to interested donors to CERF (see below) and/or by access-restricted pages of the CERF website.

Who: Donors that are interested in being informed. Donors should sign up for this service by informing the CERF secretariat⁵. Hereby it is ensured that only interested donors are contacted and unnecessary administrative work is eliminated for all parties.

Additionally, the CERF Advisory Group will be notified at its regular meetings of potential fraud cases that have been communicated to CERF and the status of these. Relevant information on concluded cases may also be referenced in summary form⁶ in the Secretary-General's annual report on CERF to the General Assembly and on CERF's website.

³ If another entity within an agency will be responsible for this communication the CERF secretariat should be advised accordingly.

⁴ I.e. when agencies inform CERF that an investigation is opened, that an investigation is finalized and that follow-up actions are concluded. The CERF secretariat may bundle information on multiple cases together and time communications to donors accordingly.

⁵ Only donors to CERF in the year the relevant allocation was made will be eligible to be informed through this process.

⁶ Following clearance by the investigative units of the recipient agencies who reported the potential fraud instances to CERF.