Fraud and Corruption in Humanitarian Supply Chain Management – an overview

To increase understanding of fraud and corruption in humanitarian settings amongst aid workers, particularly supply chain specialists.

To increase awareness of manifestations and impact of fraud and corruption.

To build capacity in prevention, detection and response to fraud and corruption.

Agenda for One Day Workshop

Session 1		Session 3		Session 3		Session 4
Understanding fraud and corruption		**Preventing and Detecting fraud and corruption**		**Fraud Game and Case Study**		**Responding to fraud and corruption**
Defining fraud		Reasons for Fraud				Responses
Fraud in the private sector	Break	Fraudster Profile	Lunch	Fraud game	Break	Response and Security
Fraud in the humanitarian world		Prevention				Response Risk Management
Fraud in supply chains		Detection				Models of corruption (PA vs CA)
Fraud in humanitarian supply chains		Whistleblowing		Case Study		Perceptions of Corruption
Impact of Fraud		T.I. Fraud Checklists				Stakeholders

Areas to be covered

1. Defining Corruption
2. UNCAC, UNGC and CHS
3. Corruption in the private sector
4. Corruption in the humanitarian sector
5. Corruption in retail supply chains
6. Corruption in pharmaceutical supply chains
7. Corruption in humanitarian supply chains
8. Impact of Corruption
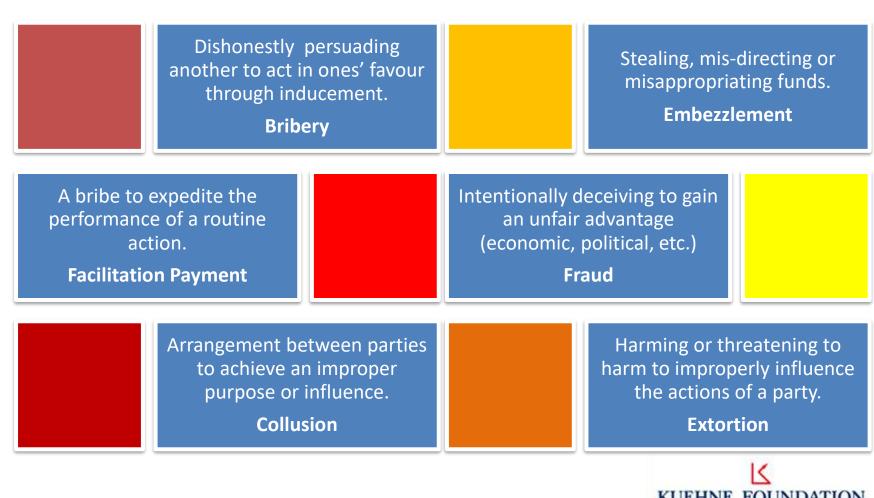9. Media and Corruption

Defining Corruption
Data taken from Johnson (2014, World Banks, 2011a)

The UN Convention Against Corruption (UNCAC) does not list one definition of corruption.

The Association of Certified Fraud Examiners ("ACFE") defines it as "The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets."

	Dishonestly persuading another to act in ones' favour through inducement. **Bribery**		Stealing, mis-directing or misappropriating funds. **Embezzlement**
A bribe to expedite the performance of a routine action. **Facilitation Payment**		Intentionally deceiving to gain an unfair advantage (economic, political, etc.) **Fraud**	
	Arrangement between parties to achieve an improper purpose or influence. **Collusion**		Harming or threatening to harm to improperly influence the actions of a party. **Extortion**

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United Nations Convention Against Corruption (UNCAC)

The UNCAC is a global agreement that establishes standards, policies and practices for public officials and commodities.

The UN Global Compact (UNGC) adopted the 10th Principle *'Businesses should work against corruption in all its forms, including bribery and extortion'* for corporate s.

Chapter II: Preventative Measures

Art. 8. Codes of conduct for public officials.

Art. 9. Public procurement & mgmt. of public finances.

Art 12. Private Sector.

Chapter III: Criminalization and Law Enforcement

Art. 17. Embezzlement, misappropriation or other diversion of property by a public official.

Art 19: Abuse of functions

Art 21: Bribery in the private sector.

Art 22: Embezzlement of property in the private sector

Art 30: Prosecution, Adjudication and sanctions.

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The humanitarian community has inter-agency initiatives (ALNAP, People In Aid, Sphere Project, HAP International) to improve accountability :

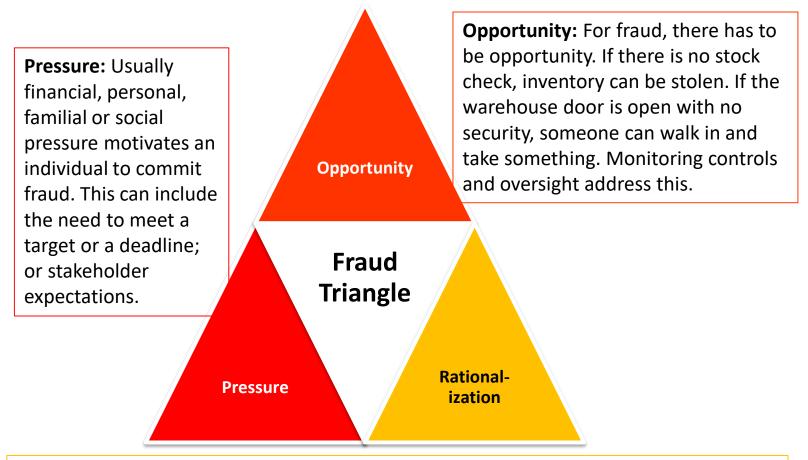- **Joint Standards Initiative (JSI)**. The JSI process led to the publication of the **Core Humanitarian Standard (CHS)** in 2014.

Which of these standards address fraud?

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Theory of Fraud

The fraud triangle is an established tool describing the criteria of fraud.

Opportunity: For fraud, there has to be opportunity. If there is no stock check, inventory can be stolen. If the warehouse door is open with no security, someone can walk in and take something. Monitoring controls and oversight address this.

Pressure: Usually financial, personal, familial or social pressure motivates an individual to commit fraud. This can include the need to meet a target or a deadline; or stakeholder expectations.

Opportunity

Fraud Triangle

Pressure

Rational-ization

Rationalization: This is the process whereby a fraudster convinces themselves it is ok to commit fraud; justifying the reasons they need something or that what they are doing is common, typical or understandable

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Figure 45: Frequency of Schemes Based on Industry

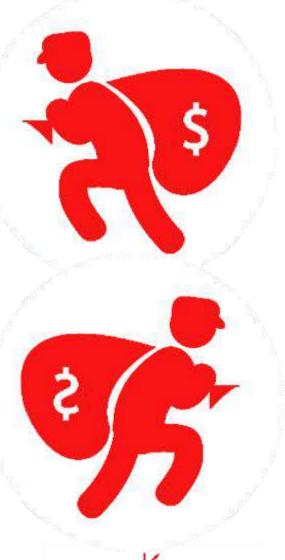| Industry/Scheme	Banking and Financial Services	Government and Public Administration	Manufacturing	Health Care	Education	Retail	Construction	Insurance	Oil and Gas	Technology	Services (Other)	Transportation and Warehousing	Telecommunications	Services (Professional)	Religious, Charitable, or Social Services
Cases	368	229	192	144	132	104	86	85	74	74	70	68	62	60	52
Billing	9.5%	25.3%	32.8%	31.3%	34.1%	15.4%	27.9%	17.6%	20.3%	29.7%	22.9%	22.1%	12.9%	26.7%	25.0%
Cash Larceny	11.1%	7.9%	5.2%	9.7%	13.6%	12.5%	8.1%	4.7%	4.1%	5.4%	15.7%	4.4%	1.6%	13.3%	9.6%
Cash on Hand	17.9%	10.5%	8.3%	11.1%	17.4%	11.5%	7.0%	4.7%	9.5%	8.1%	22.9%	5.9%	4.8%	20.0%	13.5%
Check Tampering	9.5%	9.2%	13.5%	14.6%	7.6%	9.6%	10.5%	17.6%	4.1%	5.4%	18.6%	10.3%	6.5%	31.7%	25.0%
Corruption	37.5%	38.4%	48.4%	30.6%	31.8%	32.7%	36.0%	28.2%	48.6%	44.6%	28.6%	51.5%	41.9%	16.7%	28.8%
Expense Reimbursements	5.4%	15.7%	22.9%	20.1%	15.9%	8.7%	20.9%	9.4%	10.8%	27.0%	12.9%	8.8%	19.4%	16.7%	25.0%
Financial Statement Fraud	12.0%	7.9%	10.9%	13.2%	5.3%	5.8%	17.4%	7.1%	6.8%	12.2%	17.1%	5.9%	9.7%	11.7%	3.8%
Non-Cash	10.6%	14.8%	30.2%	13.2%	17.4%	32.7%	22.1%	5.9%	17.6%	18.9%	22.9%	29.4%	38.7%	10.0%	13.5%
Payroll	3.8%	13.5%	11.5%	9.7%	7.6%	3.8%	16.3%	5.9%	8.1%	2.7%	11.4%	7.4%	3.2%	11.7%	13.5%
Register Disbursements	2.7%	1.7%	5.7%	2.1%	1.5%	8.7%	1.2%	0.0%	0.0%	1.4%	5.7%	2.9%	3.2%	1.7%	1.9%
Skimming	6.8%	14.0%	8.3%	12.5%	25.0%	17.3%	15.1%	10.6%	8.1%	5.4%	21.4%	11.8%	6.5%	18.3%	19.2%

Can you profile a fraudster?

KPMG analysed 596 fraudsters from 2011 to 2013 to determine behavioural characteristics.

The typical fraudster in this study was:

- 36 to 45 year old male.
- Holds a senior mgmt. position
- Employed in an executive, finance, or operations function.
- Employed for < 6 years.
- Acts against the company's interests.
- Acts with others.

So there is a profile but fraud and fraudsters change constantly.

Evidence, not behaviour, is proof of fraud.

"Over recent times, there is a **decreasing tolerance** for fraud as new governments promote freedom of speech and invest in the country's enforcement framework. The attitude towards fraud is changing, from grass roots to business and government; fraud is less acceptable. In short, **the window on endemic corruption is slowly closing,**" says Marion Barriskell, Head of Investigations for KPMG in East Africa.

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"In the next 3 to 5 years, we may see the fraudster in the East Africa region becoming **increasingly sophisticated and senior** in the organization as company controls improve, and more fraudsters are successfully tried and sentenced," says Barriskell.

How is Fraud changing in your region?

Corruption in retail supply chains

PKF states supply chain fraud like **stock loss** and procurement **under-provision** are serious issues in retail supply chains and that Fraud targets **high volume, low value commodities** and constantly evolves. The impact is at about **5.6%** of total expenditure.

Frequent Issues

- **Under-selling** by suppliers of quality/quantity
- Inadequate **Inventory mgmt. system** so stock levels do not link to staff
- False distribution **records**
- **Lost in Transit goods** with unauthorized stops on distribution cycles
- KPIs that push colleagues to **push for results** and falsify records

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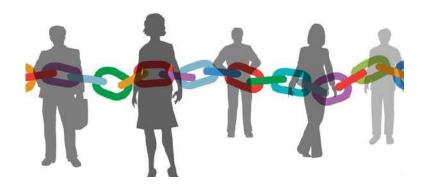### Are retail supply chain concerns similar to humanitarian concerns?

Supplier Profile
1. Are they who they claim to be?
2. Do they operate where they claim to?
3. Define the supplier – its history, size, capacity, locations, websites, contacts and principals.

Principles
1. Do they have a history of fraud?
2. Do they have previous legal action and disputes?
3. Do they staff of dubious integrity in key positions?

Pressures
1. Will suppliers try to defraud?
2. Can they supply what they claim to?
3. Are they under commercial pressures to cut corners?

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Corruption in pharmaceutical supply chains

Corruption in pharmaceutical supply chains is critical.

These commodities are high value, portable, attractive and difficult to trace.

Supplier Level:

Manufacturers run parallel production, where efficacy reduces from 75% to 0% - targeting markets with poor pharmaco-vigilance. Robust QA and QC, across the supply chain, are critical.

Conditions:

If an agency represents itself as capable of a service (storing medical items in appropriate conditions) to attract funding but it cannot – is this corruption.

Transporter Level:

Improper storage, at sea and on ports, can reduce efficacy. Pilferage of items is a concern. Rigorous traceability is required.

Distribution:

Reports discuss items siphoned for personal profit, or to pay organizational costs. Match demand and utilization to requests and consumption records.
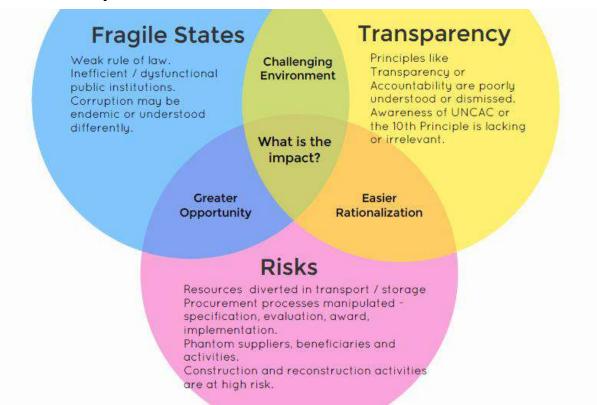
Corruption in humanitarian supply chains
'On the road to Istanbul' Humanitarian Accountability Report. CHS Alliance. 2016.

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The CHS alliance notes humanitarian responses operate in challenging environments. Injecting large amounts of aid can exacerbate conditions.

The Haiti response was worth $6-7 billion – the same as its GDP.

Fragile States
Weak rule of law. Inefficient / dysfunctional public institutions. Corruption may be endemic or understood differently.

Transparency
Principles like Transparency or Accountability are poorly understood or dismissed. Awareness of UNCAC or the 10th Principle is lacking or irrelevant.

Challenging Environment

What is the impact?

Greater Opportunity

Easier Rationalization

Risks
Resources diverted in transport / storage
Procurement processes manipulated - specification, evaluation, award, implementation.
Phantom suppliers, beneficiaries and activities.
Construction and reconstruction activities are at high risk.

In this environment, can we expect aid money not to be subject to corruption?

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Specific Impacts of Corruption on Organizations (CIPSA)

External - Organizational

Impacts on bottom line, cost, asset valuation and utilisation,

Impacts on corporate asset acquisition and disposal

Impacts on customer/client/ stakeholder records and support

Relates to all aspects of business and commerce

Adds to litigation and insurance costs

External – Reputation

Affects donor / beneficiary confidence and values

Impairs brand value/image and lessens the balance-sheet value of goodwill

Increases reputational risk

Reduces external perception of operational integrity

Internal – Organizational

Subverts organisation's strategic objectives and policies

Reduces staff morale Reduces credibility of management

Diverts management resources

Impacts on organizational standards

Internal - Operations

To service outputs / deliverables

To operational areas / locations

To revenue generation / operational effectiveness

Unbudgeted increases

Overall Impact of Corruption on the commerical sector (UNGC)

The UNGC states that corruption is a significant issue, citing a PWC report that showed 61% of businesses regard it as the most critical risk to their company, after product quality.

Corruption has many impacts. Apart from direct costs of lost revenue, there are the critical indirect costs to the business itself.

COST
Increases the cost of doing business

GROWTH
Imposes obstacles to growth, resulting in financial hardship for businesses and the communities they support,

MANAGEMENT
Diverts time from growth, innovation and new business

LEGAL ACTIONS
Increases the possibility of legal sanctions - impacting reputation and the ability to do business.

UNSAFE SERVICE
Increases the possibility of unsound goods or services. E.G. - Bypassing legal and licensing regulations can result in sub-standards.

Impact of Corruption on Societies (DFID)

Impact on equality and poverty

DFID's analyses show that corruption has a net adverse impact on income equality by impacting on poorer communities to a larger extent: where aid is being dispensed to poorer communities, public spending on social services can reduce. This is a double whammy if social spending on health and education reduces and aid doesn't reach beneficiaries.

Impact on trust and state legitimacy

DFID's analyses note that corruption can be both a cause and an effect when it comes to reducing trust in civil society and can reduce government legitimacy. Humanitarian aid is public (although not always state) expenditure so aid agencies have a duty to ensure transparency in their processes so as to bolster trust in the system.

Impact on conflict zones

DFID analysis suggests that corruption impacts more on fragile and conflict-affected states. This can be assumed to impact most on marginalized communities without access to power. However, It is not clear whether or not corruption causes or reduces active conflict.

Impact on the environment

DFID finds that corruption has a negative impact on the environment. Corrupt depletion of natural resources such as forests and unauthorized trafficking in commodities like wildlife, reduces the total resources available to communities and can impact on income and economic growth.

Impact of Corruption on Societies (DFID)

Impact on the private sector

DFID's analysis shows that corruption limits an organizations' ability to develop through the need to pay bribes. When corruption is endemic and socially acceptable, innovative professionals choose corruption – lowering productivity / innovation in the commercial world.

- *What does it mean to a society if its innovative citizens are not involved in innovation?*

- *Does the humanitarian sector have a responsibility to ensure that their commercial counterparts are able to succeed?*

Impact on overall development

DFID's analyses note that it is unclear how corruption impacts on development as a method to cost the impact of corruption on this area has not been created. But corruption is often used to explain the difference between overall economic growth and levels of corruption in different contexts.

- *Does the fact that there is no strict correlation between overall development and corruption levels make sense?*

- *How could a society develop but maintain corruption? Is there a ceiling after which this becomes not longer feasible?*

Impact of Media - Watchdog and Whistleblower?

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Principles for media when confronting corruption

- Go beyond the details to expose flaws in system
- Try to set the agenda for reform and follow up your stories
- Go after the biggest culprits but don't treat a story as a one-off when it's actually endemic to the system
- Avoid trivialisation and sensationalism: a sober and authoritative tone provides moral power
- Investigate basic services, health care and education, because that's where corruption hurts most. Avoid being distracted by political intrigue and being restricted to urban stories
- Be open to trans-boundary investigations, if foreign companies or organisations are involved, journalists from that country might collaborate

The New York Times

AFRICA

Somalia Food Aid Bypasses Needy, U.N. Study Says

By JEFFREY GETTLEMAN and NEIL MacFARQUHAR MARCH 9, 2010

The Washington Post

National Security

Suspecting fraud, U.S. suspends some Syrian aid programs

BBC NEWS

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UK 'must do more' to tackle aid corruption

31 October 2014 | UK Politics

- **What is the role of Media?**
- **What impact can Media have?**
- **Do they fulfil the role or watchdog and whistleblower?**

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Impact of Media - Watchdog and Whistle-blower?

Procurement and Logistics	Commodities are siphoned off for external distribution, stockpiled or looted, prices are inflated, bribery occurs, sub-standard goods are used

In tracing the delivery of relief assistance, the media is capable of

Providing an analysis of the political and power nexus to explain how aid is being directed and

Exposing relationships between individuals and companies that benefit from corruption

Acting as a whistleblower when indidvidual incidents are uncovered

Iluustrating the harm done to affected communities when aid fails to reach them

Above, in the U4 report, are lists of activities that media organizations are advised to look into. The risks are clear and documented for the last decade.

The media is a key stakeholder; and sometimes described as a risky one - referring to its ability to disrupt the principled and honourable narrative around humanitarian aid by exposing systemic issues like abuse and corruption.

Does the humanitarian sector need a watchdog?

Areas covered

1. Reasons for Fraud
2. Profile of a Fraudster
3. Anti-Fraud controls
4. Prevention
5. Detection methods
6. Methods in Sub-Saharan Africa
7. Warnings and Alerts
8. Tools - Whistleblowing & Audits
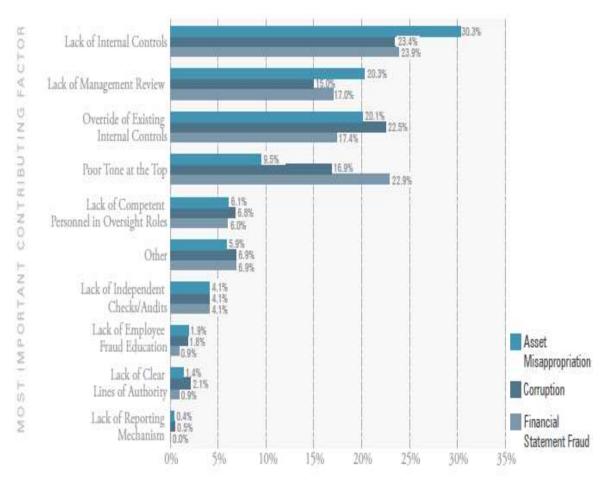9. Interview Methods
10. List of Transparency International Checks

What prevention tips could I use?

What red alerts have I seen?

Prevention – Reasons for Fraud

Figure 64: Primary Internal Control Weakness by Scheme Type

Primary reasons for fraud are:

- Lack of Internal Controls (Policy) at between 23 – 30% depending on type.

- Lack of Management Review at between 23 – 30% depending on type.

- Overriding of existing controls (20%)

- Poor Tone (Leadership, Guidance, Explanations, Rule-Setting) at the Top (15%) – Lead by Example.

Reference: ACFE. Report to the Nations 2016.

Prevention – Profile of a Fraudster (ACFE)

Figure 95: Behavioral Red Flags Based on Perpetrator's Position

ACFE examined some attributes of those people who are engaged in fraud.

These factors can vary considerable and should never be considered as proof, however awareness of them can be useful.

How might you consider behaviours like:

- **Living beyond means**

- **Financial Difficulties**

- **Unusually close associations with supplies.**

Prevention – Profile of a Fraudster (KPMG, 2013)

Source: Global profiles of a fraudster, KPMG International, 2013.

- 🟩 Sense of fear
- ⬛ Sense of being under valued
- 🟦 Sense of being under remunerated
- 🟦 Sense of anger

Source: Global profiles of a fraudster, KPMG International, 2013.

Opportunistic fraudster
Often a first-timer, middle-aged man with kids; trusted and with responsibility;. Usually, has a problem that can be solved with money. Colleagues are surprised by allegations.

Predator
Can start as an opportunistic fraudster. Alternatively, seeks out companies to start a scheme in. Defrauds organizations with little remorse. More organized and with thought-through plans to hide the fraud. Able to handle auditors and other monitoring systems.

Could it be detrimental to focus on behaviours? What do we mean by evidence, not behaviour, is proof of fraud?

Anti-Fraud Controls in East Africa (ACFE)

Figure 51: Frequency of Anti-Fraud Controls—
Sub-Saharan Africa

Control	Percent of Cases
Code of Conduct	91.9%
Internal Audit Department	91.6%
External Audit of Financial Statements	88.8%
Management Certification of Financial Statements	79.9%
External Audit of Internal Controls over Financial Reporting	77.6%
Management Review	70.8%
Independent Audit Committee	69.6%
Hotline	67.7%
Anti-Fraud Policy	59.2%
Fraud Training for Employees	55.0%
Fraud Training for Managers/Executives	55.0%
Surprise Audits	52.8%
Employee Support Programs	50.9%
Formal Fraud Risk Assessments	48.2%
Dedicated Fraud Department, Function, or Team	47.7%
Proactive Data Monitoring/Analysis	38.5%
Job Rotation/Mandatory Vacation	27.8%
Rewards for Whistleblowers	20.0%

Which controls relate to which principles?

Which are essential in our sector and which are 'nice to have'?

General Anti-Corruption Policies

Specific Individual Policies

Code of Conduct: Enforce a code with clear directives, sanctions and zero tolerance. Require employees to acknowledge the code.

Supplier Selection: Have objective requirements on costs /performance for transparency with guidelines for bids / supplier agreements, compulsory reviews of bids and multiple levels of authorisation.

Training: Train staff on laws, policies, consequences and how to respond/report. Emphasize prosecution/reputation damage.

Training: Of staff on bid process; objective engagement with suppliers; responses / consequences of fraud and how to report.

Reporting: Promote reporting of fraud like bribery by all staff and partners.

Personnel: Ensure staff pass background checks and understand conflicts of interest.

Remuneration: Provide competitive remuneration for employees at risk to reduce incentives.

Rules on acceptance of goods: Train rules for accepting gifts in line with tech specs and relying on authorized sign-off

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Risk Assessment / Due Diligence

Controls for Procurement

Risk Evaluation: Implement a risk process for suppliers to assess risk. Use general information, legal and cultural contexts to develop risk scenarios.

Competing Suppliers: Open the process to ensure the market is evenly spread and distributed.

Due Diligence: Ensure all due diligence is performed, red-flags like reputations and connections are explored and gather information. Ensure they understand your principles.

Segregation of Duties: Implement automated segregation of responsibility duties with clear limits of authority. Regularly review table of authority.

Payment Review: Pay attention to agents in the bidding process, examine expenses of staff and review unusual payments.

Audit: Define audit plan and analyse bids for gaps, inconsistencies, unusual transactions.

Monitoring: Senior staff should reviews high risk, regular, large payments; and ensure responsibility is clear for all procurement processes. Use continuous control monitoring system or consider automated 'anti-corruption' technology.

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Prevention - UNGC

Supplier Management

Collective Action

Code of Conduct: Establish/ensure a valid code of conduct is signed and followed by suppliers for bribery, fraud, kickbacks, etc.

Supplier Training: Ensure supplier staff are trained on policy, the consequences/criminal risks; and how to report / respond to corruption.

Supply Anti-Corruption Efforts: Monitor the contract, send out and analyse questionnaires and use audits with follow-up on actions.

Contractual Precautions: Include anti-corruption clauses in all contracts (allowing exclusions for delays caused by anti-corruption) and ensure suppliers assign a focal point.

Customer Groups: Work with customers, NGOs, suppliers and other organizations to empower a legal system that can prosecute.

Tools: Share information about legislation, tools, assessments, findings, reports and concerns with like-minded groups.

Industry Associations: Establish mechanisms with similar associations for anti-corruption training, common audit standards; and exchange information about anti-corruption practises and corruption.

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Transparent budget planning. DFID found evidence that transparent or computerized planning was effective in preventing corruption. This might involve all stakeholders, including end-users, in monitoring and decision making to increase accountability and engagement, decrease corruption and empower communities.

Transparent expenditure tracking across the supply chain: DFID found that budget tracking with stakeholders across the entire system can reduce leakage (proxy indicator for corruption).
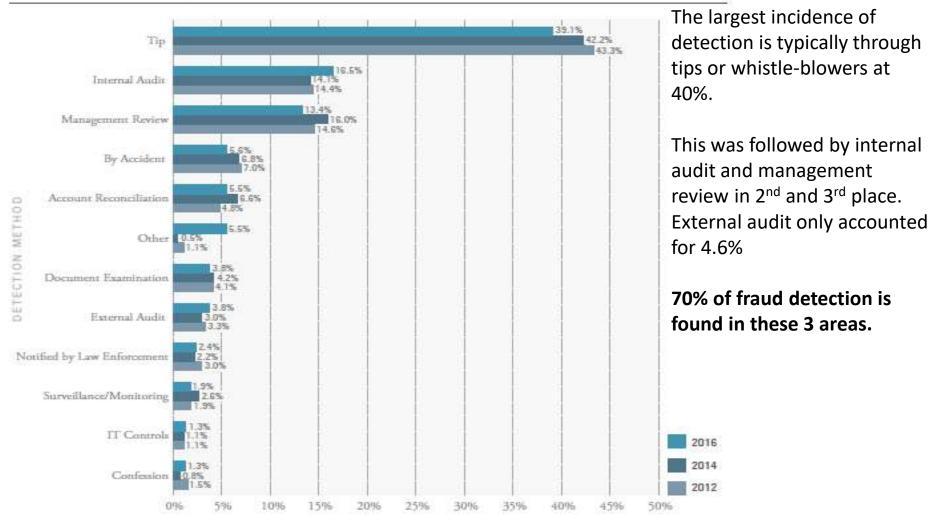
Transparent procurement monitoring across the supply chain: Reforms to procurement systems for total transparency should include high levels of detail; clear relations between processes; and open / non-discretionary auctions instead of closed / best-value auction. Consistent monitoring through audits and anti-corruption committees supports.

Top Down Culture: Call on board members, trustees, upper and middle management to create an ethical culture of trust. These ethical cultures need the support of integrated and related actions.

Fraud Detection – Review of Methods

Figure 21: Initial Detection of Occupational Frauds

The largest incidence of detection is typically through tips or whistle-blowers at 40%.

This was followed by internal audit and management review in 2nd and 3rd place. External audit only accounted for 4.6%

70% of fraud detection is found in these 3 areas.

What <u>do</u> humanitarian actors focus on now?
What <u>should</u> humanitarian actors focus on to mitigate fraud?

Fraud Detection – Sub-Saharan Africa (ACFE)

Figure 24: Detection Method by Region—Sub-Saharan Africa

Detection Method	Percent of Cases
Tip	37.3%
Internal Audit	16.2%
Management Review	10.2%
Account Reconciliation	7.4%
By Accident	5.3%
Other	4.9%
Document Examination	4.9%
External Audit	4.9%
IT Controls	3.2%
Notified by Law Enforcement	2.1%
Surveillance/Monitoring	2.1%
Confession	1.4%

The proportions are roughly the same for our region as they are for other parts of the world.

1. Whistle-blowing (Tips) is a little bit lower than here which suggests we need to increase the mechanisms to enable this.
2. Internal audit and management reviews remains 2nd and 3rd place
3. Account reconciliation is slightly higher at the moment, suggesting more fraud is found by book-keepers in this region (lesser role of mgmt.)
4. External audits remain low in % terms.

Does it make sense to you that the percentages are the same?

Would you have expected different results?

Detection – Warnings and Alerts (CIMA)

CIMA describes warning signs as general indicators of the potential opportunity for fraud occurring; while alerts are red flags.

Warning Signs

1. **Organizational Culture:** No anti-fraud policy/culture. No commitment to internal controls. Bad relationship with auditors.
2. **Controls:** Poor mgmt. control of authorities / delegations and systems for accountability and reporting . Poor documentation of internal controls. Lack of job segregation and independent checking of key transactions.
3. **Staff:** Dissatisfied staff : Staff reductions or redundancies, Low salaries, Very aggressive performance requirements, Recruitment improprieties.
4. **Inventory / Assets:** Lack of identification of the asset, Poor physical security of assets, Susceptibility of assets to misappropriation.

Alerts

1. **Tips:** Anonymous tips.
2. **Document Controls:** Alteration of documents. Photocopies instead of originals. Rubber stamps instead of signatures. Missing approvals. Controls / audit logs being ignored.
3. **Staff Behaviour:** Discrepancy between earnings and lifestyle. Irrational or inconsistent behaviour
4. **Inventory / Assets:** Inventory adjustments. Supplies in excess of need (over-stock)

These lists are not exhaustive and again behaviour or potential is nothing without evidence.

Are there items missing from this list?

Detection – Tools (CIMA)

START

1 Background Reading: Fraud evolves. Educate yourself regularly. Record your understanding of fraud as it relates to your supply chain in excel or another database.

2 Document Analysis

3 System Risk Assessment: Conduct regular assessments to I.D. system opportunities for fraud. Use a KPI to report to mgmt. on the likelihood of fraud.

Track documents consistently

4 Systems Analysis: Benchmark against other organizations or over time for trends in spend/distribution and understand the exceptions. Understand ratios in your system and look for abnormal trends.

END

Detection – Whistleblowing (40%)

Whistleblowing accounts for 40% of all allegations. Francis and Armstrong (2011) define Whistleblowing as an act of courage and lay out a set of considerations for organizational policy and personal decision-making.

Organizational Policy Considerations

What?	Who?	How?
What is attention being brought to? What is the subject of the notification?	Who is making this notification? How should they notify? Who is the subject of the notification	How should whistle-blowers be protected and dealt with formally / informally?

Whistleblowing accounts for 40% of all allegations. Francis and Armstrong (2011) define Whistleblowing as an act of courage and lay out a set of considerations for organizational policy and personal decision-making.

Personal Considerations

Define	Document	Support
Clearly define and understand the issue in advance. Take time to go through it and ensure you are clear. Be clear as to why this was not dealt with internally or administratively.	Copy all documents and relevant information; logging inter-personal spoken transactions.	Inform close friends and family beforehand. If possible, consult an experienced lawyer or legal aide before initiating procedures.

TI: Uwajibikaji Pamoja (Accountability Together)

An automated, web-based 'Integrated Complaint Referral Mechanism', implemented by TI Kenya with > 40 Partners (Govt and NGO). Anyone can submit or refer any complaint about either aid or service delivery by free SMS, email or a walk-in service to the TI office or a participating partner.

Whistle-blowing Results from Pakistan / USAID projects

Previous examples of this kind of service include a hotline for USAID projects in Pakistan that has been running since 2010. The emphasis here, as reported by TI, is on supply chain and HR issues. As a result of this whistle-blowing service, and subsequent actions there have been consequences:

A number of implementing partners had their contracts terminated
1 local NGO was barred from working with USAID again
1 USAID contractor was fired for procurement corruption
10 local NGO staff were fired for gross misconduct
21 local NGO staff were fired for corruption
End users received goods they would not have otherwise.

Most complaint procedures are agency or project specific.
Do you think inter-organizational ones would be more or less effective?

Audits evaluate risks faced by organizations using audit plans and tests.

- **Prevention:** Audits aim to prevent fraud by evaluating the adequacy /effectiveness of internal controls and providing expertise on organizational strengths and weaknesses. Recommendations can include ethics trainings.

- **Detection:** Audits can respond to reporting/ whistleblower reports or may conduct proactive audits for misappropriation of resources using audit techniques like data mining or analytical procedures on risky accounts/transactions to ID fraud. Audits investigate suspected fraud, perform root cause analysis and come up with control improvement recommendations.

- **Response:** Once ascertained, a fraud case is referred to mgmt for a decision on how to proceed or may be reported to a donor / government in the humanitarian world.

External auditors tend to focus more on inconsistencies or issues with overall financial or inventory statements while internal auditors use their presence in the organization to better understand control systems, risks and solutions.

The humanitarian sector uses M&E to describe audit like processes. What's the difference?

Donors require levels of accountability and transparency in excess of the private sector. Some consider these levels impede on humanitarian assistance – can this happen?

Detection Methods – Interview Methods

- ➤ **P - Preparation and Planning.** Understand data, reports and allegation before. Understand your subject. List topics to discuss. Define your aims – Does something need to be proven or clarified?

- ➤ **E – Engage;** the interviewee by explaining who you are. Establish rapport . Explain what you are doing and what the interview purpose is.

- ➤ **A – Account.** Ask the subject to explain the events from their perspective – in detail. They can close their eyes or sketch a process. Do not guide initially. Ask them to recall the event from other perspectives or in reverse. Divide the account, clarify questions, probe details and summarise.

- ➤ **C – Closure.** Summarise and allow corrections.

- ➤ **E – Evaluation.** Reflect on how the interview went. Are there concerns? Are more interviews required?

- ➤ *What are your impressions of this methodology?*

- ➤ *Would you be comfortable to perform an interview?*

- ➤ *What do you think would work?*

- ➤ *What are some reasons this might not work?*

- ➤ *What are other ways that interviews could be conducted?*

Manipulated tender specifications - bid docs.

Risk

Technical specifications may favour/exclude suppliers – due to bribery, coercion or conflict of interest.

Bidding documents, TORs or the quantity or quality of goods or services may be skewed for a particular supplier.

Tender specifications may be altered during the process if a staff member develops links with a supplier or is bribed.

Detect

Specifications too precise or subjective criteria for specifications.

Contracts split into multiple tenders below the threshold for bidding and contract amounts just below the threshold for management review.

Bids not sealed or opened publicly / simultaneously.

Multiple or repeat contracts to the same supplier (groups). Limited bid advertising.

Unduly short deadlines; frequent justification of 'urgency' to favour incumbents.

Unjustified requests for 'sole-sourcing' (supplier selection without competition).

Prevent

Base tender specifications on technical criteria.

Use standard specifications where applicable.

Be clear that procedural violations are an offence.

Have appropriate staff with relevant technical expertise.

Bid-Rigging and Insider Information

Risk

Staff may offer, be bribed or coerced into giving 'insider' information, or information withheld from bidders. 'Bid rigging' may occur among suppliers who coordinate bids so the designated winner's is lowest, all bids are above market price or an amount is obtained by the winner to cover losers' costs.

Detect

Repeated awards to the same bidder or to staff family, friends or business associates
Common bid patterns (same calculations or mistakes in multiple bids)
Conditions conducive to a cartel (e.g. few vendors with close relationships)
Received bids opened prematurely or not securely stored
Winning bids submitted or altered at the last minute or just less than the nearest bid
An employee pushing for a particular supplier, regardless of quality or financing terms
Staff living above their means, or having social appointments with bidders

Prevent

Hire, vet train the right staff so they understand the need for separation
Ensure staff sign a code of conduct and conflict of interest policy
Make suppliers commit to integrity
Go past financial audits to social audits, monitoring and accountability processes
Review bids for unusual patterns and conduct market research to understand markets

Biased Supplier prequalification

Risk

Suppliers may be invited to tender even if they don't meet prequalification criteria, or applicants who meet criteria may be excluded. 'Phantom suppliers' may be created to meet minimum competitive bidder numbers, receive fake contracts or mask true ownership, disguising personal connections or supplier collusion.

Detect

Subjective prequalification evaluation criteria.

The same suppliers always prequalifying

No street address or landline given; generic email addresses (e.g.yahoo, hotmail)

'Shell company' bidders with identical staff names, addresses or telephone numbers

The same calculations, errors or language in bids under different letterheads

Subsidiaries or affiliates submitting 'competing' bids

Sequential bid numbers, indicating documents purchased in a batch by a supplier.

Limited advertising or unjustified shortcuts in minimum requirements or deadlines

Requests for 'sole-sourcing' (no competition), based on unresponsive prequalification

Prevent

Set clear, objective criteria for prequalifying and publicise your bid opportunity

Implement checks and balances, and the separation of duties; cross-check evaluation methods / criteria

Thoroughly vet potential bidders and build integrity requirements into prequalification

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Manipulated bid evaluation, award / execution

Risk

Bribery, kick-backs, collusion or coercion can distort supplier selection, leading to above-market prices or substandard quality of goods and services.

Detect

Fees to intermediaries for assistance in bid preparation or negotiation.
'Shadow bidders', who submit a slightly higher bid to the winner.
Drastic changes in pricing from previous contracts or from market levels
Unusual bid patterns indicating possible collusion
Repeat contract awards to the same supplier(s) or lowest bidder bypassed.
Unjustified 'sole-source' contracts (without competition)
Bidding processes involving direct negotiation with suppliers
Contract amounts just below review or competitive bidding thresholds
Unjustified change orders to contracts after award.

Prevent

Aim for a minimum number of bids.
Ensure clear separation of staff duties
Ensure transparency in the tendering process and limit special emergency procedures
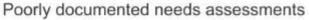Include procurement in monitoring and evaluation

Surplus Procurement

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Risk

Suppliers may bribe staff into making unnecessary purchases in order to sell the excess and share profits. A supplier may invoice for too much work or too many supplies, or provide fewer goods or services than contracted for but invoice the full amount. Donated goods or services may be sold for profit.

Detect

Poorly documented needs assessments

Warehouses with too much inventory

Relief goods or supplies being sold in large quantities in local markets

Proposed relief packages substantially larger than Sphere minimum standards

Requests for 'urgent' purchases at financial year-end, when there's pressure to spend budgets

Prevent

Double-check whether goods and services are really needed

Establish comprehensive supply chain management systems

Consider using cash transfers or vouchers

Include aid recipients for accountability

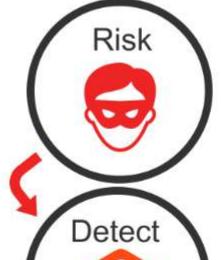Ensure that surplus goods are not sold privately

Plan and budget for monitoring and evaluation

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Supply of Sub-standard goods or services

Risk

Suppliers may bribe staff into making unnecessary purchases in order to sell the excess and share profits. A supplier may invoice for too much work or too many supplies, or provide fewer goods or services than contracted for but invoice the full amount. Donated goods or services may be sold for profit.

Detect

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

Prevent

Double-check whether goods and services are really needed
Establish comprehensive supply chain management systems
Consider using cash transfers or vouchers
Include aid recipients for accountability
Ensure that surplus goods are not sold privately
Plan and budget for monitoring and evaluation

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Payment for access

Risk

Government officials or local militia may block aid by demanding bribes or kickbacks from staff in return for access to people needing assistance or aid resources the agency requires. Payment may be demanded at a strategic level (for access to an area, or staff entry visas), an operational level (along the supply chain, e.g. customs), or at the point of aid delivery (e.g. roadblocks).

Detect

Changes in law or your operating environment
Requests for one-on-one meetings with officials
Unjustified refusals to grant visas
Repeated customs delays
Unforeseen delays in the delivery of goods
Roadblocks controlling access to sites / beneficiaries

Prevent

Train staff to deal with extortion and intimidation
Identify the right counterpart
Identify a capable team for formal negotiations
Manage cultural differences
Pre-agree customs and visa procedures
Report blockages transparently

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Diversion during transport

Risk

Corrupt transporters, possibly in collusion with staff, may claim they had to pay a proportion of supplies as a bribe (payment for access), or that goods diverted for sale were stolen or damaged and had to be abandoned.

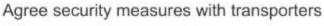Corrupt officials or soldiers may divert goods at roadblocks, or armed militias may raid transport.

Detect

Shipments arriving with lower weight, or fewer or poorer quality items than at origin

Numerous reports of irreparably damaged supplies

Packages tampered with missing, incomplete or manually corrected shipping documents

Deliveries taking unusually long to arrive

Unusually high mileage on delivery trucks

Relief goods for sale at local markets in large quantities

Prevent

Agree security measures with transporters

Pre-plan your route carefully

Document the supply chain

Make transporters responsible
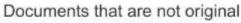
Put in place an efficient commodity tracking system

Falsification of Inventory Documents

Risk

Inventory documents can be altered or rewritten to hide the corrupt diversion of goods. Staff might deliberately delay documentation so managers can't detect diverted goods. Inventory documents or receipts may 'go missing' to cover someone's tracks, so goods can be diverted without evidence they ever existed.

Detect

Documents that are not original
Handwritten or manually altered documents
Numbers that don't add up
Pristine sets of records potentially written by the same person (to replace originals)
Missing or lost documents

Prevent

Use IT for traceability and transparency
Train staff in inventory and stock control
Limit the number of people with access to inventory documents
Separate key duties
Cover inventory procedures in monitoring and evaluation

Diuersion during storage

Risk

Stored relief goods may be looted or pillaged, with or without staff collusion.
Theft may arise from lack of physical security / poor controls.
Inventory documents may be falsified, or goods smuggled out and tracks covered.
Goods may be siphoned off during repackaging.

Detect

Manually prepared distribution units (e.g. scoops) that are slightly reduced
Packages tampered with (e.g. puncture holes, rips)
'Doughnut' stacking: a pillar of goods with a central hole where packages were removed
Staff accessing the storage facility at odd hours
The rounding-up of weight numbers
Frequent corrections in distribution ledgers

Prevent

Use only suitable, secure warehouse facilities
Clearly separate staff duties
Use formal systems to keep track of goods stored
Include logistics preparation and training in emergency preparedness
Maintain a central record of authorized signatories
Fully investigate all missing goods

Unauthorised use of private vehicles

Risk

Staff may use emergency vehicles without authorisation (e.g. hiring them out, transporting goods for sale, selling taxi rides or for social purposes).
Vehicles may be appropriated by local authorities through coercion or bribery.

Detect

Purchasing or hiring excessive numbers of vehicles
Vehicles driven outside hours or in unlikely locations
Inconsistent expenditure reports, e.g. under-spent project funding with over-spending on fuel or vehicle maintenance
Physical deterioration indicating vehicle overuse or overloading

Prevent

Have clear written procedures for staff use of vehicles
Keep strict records for each vehicle
Appoint a trained manager or logistician to coordinate your fleet
Use tracking technology – including computerised mgmt. and monitoring systems.
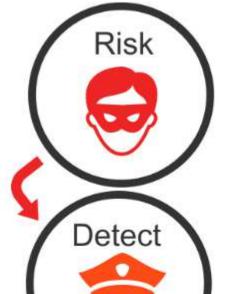Ensure head office monitors vehicle data
Recognise fleet management as a professional skill

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Corruption in Vehicle Repairs and Maintenance

Risk

Staff may collude with workshops to inflate costs. Mechanics may charge for new parts but fit used ones or leave parts unchanged, or carry out unnecessary repairs. Employees may sell spare parts from stocks. Collusion may occur with insurance staff to make false claims for repairs. Staff may declare a vehicle unfit to buy it at a nominal price or expropriate it.

Detect

Repair and maintenance costs higher than expected
Variances in maintenance cost per kilometre between similar vehicles over time
Use of counterfeit spare parts
Frequent vehicle insurance claims
Unnecessary vehicle disposal

Prevent

Plan maintenance carefully
Select workshops through a proper procurement process
Require detailed service contracts
Have set procedures for vehicle maintenance
Keep strict inventories of spare parts
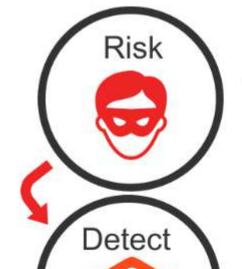Carry out regular checks and independent audits
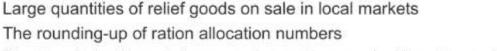Maintain benchmarks for maintenance and repairs for comparison

Distribution – modification of size or entitlement

Risk

Staff may reduce entitlements, remove high-value items, or skim off food at distributions for later sale (possibly falsifying records). A distributor may collude to give larger rations and later collect his share, or show bias, changing ration size for certain beneficiaries. Recipients may claim for cash entitlements greater than their need.

Detect

Large quantities of relief goods on sale in local markets
The rounding-up of ration allocation numbers
Puncture holes in containers; packages tampered with cartons missing from pallets
Altered or rewritten distribution records

Prevent

Ensure a secure and transparent distribution system
Inform the community of distribution details and entitlements
Let beneficiaries monitor distribution
Have contractual agreements with distribution teams
Measure food rations in standardised containers
Make regular surprise M&E visits to distribution sites

Distribution – diversion during distribution

Risk
- Local militia/officials may divert for sale/favours
- Staff may demand kickbacks, or be bribed to ignore / or collude in theft.
- Distributors may divert; elites may take more or determine who receives relief.
- Community leaders may 'order' and sell surpluses.

Detect
- Relief goods on sale in local markets
- Beneficiaries or groups claiming larger rations
- Identical attendance lists for every distribution
- Frequently corrected distribution ledgers
- Similar or identical signatures or fingerprints for receipt of rations

Prevent
- Use comprehensive SCM systems
- Design distribution sites carefully and vary times/locations, to minimize security risk
- Ensure staff report deviations in goods received
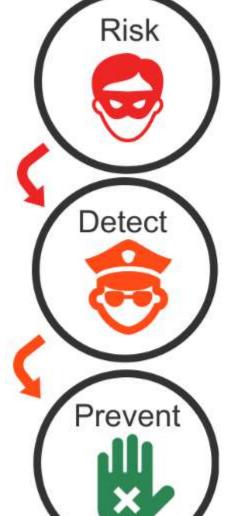- Provide payment to community distribution teams
- Check during M&E if full entitlements received

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Post distribution taxing or expropriation

Risk

Attack, looting, pillage or theft of relief goods may occur with the collusion of authorities. Local leaders, militias or military forces may force beneficiaries to sell or give them relief items.

Goods may be redistributed according to local customs, or local elites may demand 'taxation' of a % of relief goods received.

Women and minorities are especially vulnerable.

Detect

Beneficiaries still malnourished or lacking relief goods after distribution

Local militias or elites possessing relief goods

Reports on the grapevine of post-distribution corruption

Prevent

Use comprehensive supply chain management systems

Design distribution sites carefully and vary times/locations, to minimize security risk

Ensure staff report deviations in the quality or quantity of goods received

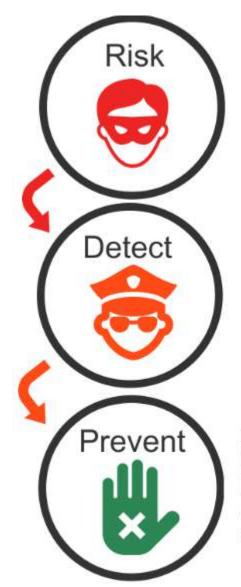Provide nominal payment to community distribution teams

Check during M&E whether full entitlements were received

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Distribution – food aid

Risk

Staff or partners may divert food for use or sale; deliver poor quality food or undersized quantities. Documents may be falsified and food stolen from warehouses, or during repackaging or transportation. Local militias or officials may divert food, forcefully or with collusion, during targeting or registration, through inflation of figures or extortion. Distributors may reduce entitlements, remove high-value items, skim for later sale, give enlarged rations and collect their share, or show bias. Post-distribution, local elites may demand a % of rations.

Detect

Packages appearing tampered with - food packages arriving underweight
Manually prepared distribution containers, made too big or small
Large quantities of relief food on sale in local markets
Altered or rewritten distribution records
Beneficiaries still malnourished after distribution
Local militia or elites possessing relief food items

Prevent

Have specialist staff and procurement policies; monitor and evaluate your supply chain
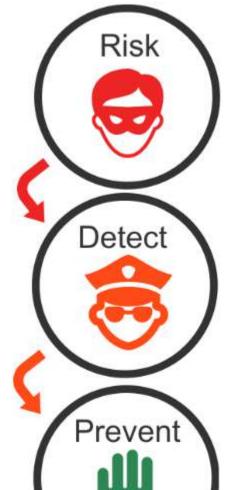Ensure safe storage and transport
Involve the community in needs assessment, targeting and registration
Identify secure distribution sites, in collaboration with recipients
Use standardised measures

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Conflict of interest

Risk

Conflicts of interest arise when a staff member's outside interests affect (or are perceived to affect) their ability to act fairly and impartially.

Opportunities for personal gain, or for family or close associates to benefit (nepotism or cronyism), may influence an individual's behaviour.

Being in a conflict of interest situation is not in itself corruption, but can lead to it.

Detect

Employees or their families with lifestyles well above their official income

Reports of staff indulging in gambling, excessive entertaining or international travel, or boasting about status

Decisions not objectively justifiable

Prevent

Have a clear conflict of interest policy in your code of conduct

Oblige staff to avoid conflict of interest situations

Implement and monitor a disclosure policy
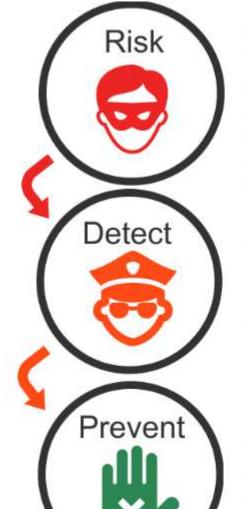
Create an open environment conducive to discussion

Seek diversity in situations of entrenched interests

Behaviour conducive to corruption

Risk

Wasteful or provocative behaviour by agency staff can create an enabling environment for corruption. If local people see international agencies paying inflated prices for accommodation, vehicles, goods and staff, they may consider agencies wasteful and conclude it's legitimate to exploit them. Staff lifestyles and private behaviour may be culturally inappropriate. While not necessarily corrupt, such behaviour can alienate local people, creating an environment conducive to corruption by causing them to see agency resources as legitimate targets for exploitation and abuse.

Detect

Local people speaking with contempt about international aid agencies
Local media reports about agencies' waste or ineffectiveness
Reports of inappropriate private behaviour of agency staff, especially expatriates or managers

Prevent

Monitor and evaluate aid recipient opinions of your agency
Encourage beneficiaries to feel ownership
Train staff thoroughly in local customs, morals and values
Provide staff with ethical guidance and stress-management support
Be open about benefits for international vs. local employees

Divide into 2 groups

Group A will play the Fraud Game for the first 45 minutes. Group B will work on the Case Study during this time.

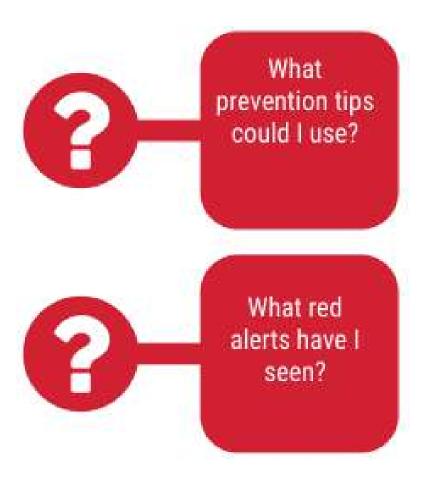**After 45 minutes, both groups will swap over.**

Areas covered

1. Overview on General Responses
2. UNGC Response Guide
3. Response and Security
4. Response and Risk Management
5. Models of Corruption
6. Perceptions of Corruption
7. Stakeholders and Corruption

What prevention tips could I use?

What red alerts have I seen?

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Case Results

60% of cases were referred to authorities of which 80% were found guilty through admission / trial.

Figure 100: Cases Referred to Law Enforcement

Year	Referred	Not Referred
2016	59.3%	40.7%
2014	60.9%	39.1%
2012	65.2%	34.8%

PERCENT OF CASES

Figure 106: Action Taken Against Perpetrator

Action Taken Against Perpetrator	Percent of Cases
Termination	64.1%
Other	11.3%
Settlement Agreement	10.7%
Permitted or Required Resignation	10.0%
Perpetrator Was No Longer With Organization	8.3%
Probation or Suspension	8.0%
No Punishment	5.7%

PERCENT OF CASES

64.1% of cases resulted in termination.

Civil suits and the recovery of losses were also pursued.

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Figure 102: Reason(s) Case Not Referred to Law Enforcement

Why are cases not referred to authorities.

➢ 40% do not refer due to fear of reputational risks.

➢ 35% reported internal discipline as sufficient.

➢ 20% negotiated a private settlement.

Is this an issue in the public sector?

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Response – UNGC (Individual)

Modified from 'Fighting corruption in the supply chain.'
A guide for customers and suppliers. UNGC, 2010.

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Immediate Response to Fraud

Document and Report

Consider: The situation to understand what is requested / happening.

Support: Request guidance and support from appropriate staff.

Refusals: Refuse politely. Cite company policy. If requests continue, explain it could lead to legal consequences.

Alternative routes: If further requests are made or the tone is difficult, explain any solicitations should be in writing to management.

Record: details of conversations (not digitally) - note times, locations, people present and the request. Keep copies of emails.

Report: the event to your supervisor and management; or to a staff member who is responsible for the code of conduct or ethics. Work with them to define a strategy on how to proceed, internally and externally.

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Response – UNGC (Organizational)

Modified from 'Fighting corruption in the supply chain.'
A guide for customers and suppliers. UNGC, 2010.

Investigate

Corrective Action

Investigation Process: Establish a process to investigate cases, with a disciplinary body take action against proven fraud.

Audit: Verify if the incident is one-off / systemic. Consider an audit of work area or supplier.

Support: Bring in technical support from if the issue is complex or you are unsure how to respond. Fraud examiners operate globally.

Strategic Response: Assess old audits for old assessments and policies. Identify lessons and update risk mgmt. systems. Share, if appropriate, fraud responses.

Supplier Response: Review and improve supplier training. Terminate bidding or contracts if required.

Staff Response: Review and improve staff training. Discipline staff engaged in corruption by reclaiming of assets or finances, private settlement or termination.

Response – UNGC (Organizational)
Modified from 'Fighting corruption in the supply chain.'
A guide for customers and suppliers. UNGC, 2010.

Int. Discussion & Ext. Disclosure

Bid Elimination / Contract Termination

External Disclosure: If proof exists, consider reporting it to relevant authority or government agencies, associations, relevant regulators or potentially donors. Check if you are under legal obligation to report this to certain channels. This might be in the operational country but if funding comes from abroad, or your HQ is based abroad, you may need to report it to authorities there.

Bidding Process: If the event occurs during bidding and there is of corruption, eliminate the organization. If security is a concern, you can anonymously present the evidence to the committee for them to remove the contender for technical reasons.

Discussion: Report the interaction through appropriate external mechanisms. Discuss the incident with relevant parties – without specifics but with explanations of impact.

Contract Management: When in a contract, re-examine the contract to be prepared to invoke relevant clauses to avoid debates over responsibilities. Consider alternative / parallel suppliers to minimize disruption to you services.

Response - Security

- Can I ensure my personal safety?

- What will this mean for local staff?

Personal Safety

Colleagues Safety

Agency Security

Sector Security

- Will this impact our response?

- Will this impact others?

In our contexts, security is a concern. Guidance on corruption relies on state protection which may not be available so think in wider terms of safety and security.

1. Prevention is critical.
2. Tips can be anonymous.
3. Responses should be organizational
4. Punishment can be subtle and not punitive.

Part of your responsibility is to protect the humanitarian operating spaces, which relies upon communities' acceptance and neutrality.

When might this conflict with anti-corruption?

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Behavioural Models of Corruption (D.F.I.D)

DFID refers to models to explain motivations and social interactions that enable the fraud.

Understanding these models can help you to contextualize corruption.
Understanding them helps you to respond to the operating context you are in.

Principal - Agent

A principal asks an agent to carry out an activity. The agent has more information, which creates imbalance between them, so the principal must ensure compliance. The agent has the opportunity for corruption. Most systems enforce compliance through monitoring or addressing the agents rationalization. This system relies on principled principals which can be a problem in corruption endemic environments.

Collective Action

All actors, (bureaucrats, government officers or citizens) operate for self-interests so the benefits/risks of corruption are linked to collective perceptions and reinforcements. In corruption endemic societies, there is less personal risk to corruption and sometimes a risk to acting in a principled manner. Principals in this system are corrupted by the system so monitoring is disabled.

Both models offer perspectives on fraud.
How might they be used to minimize the potential and impact on corruption?
Which model is more relevant to the humanitarian world?

Addressing perceptions of corruption

Oliver May in his 2016 book 'Fighting fraud and corruption in the humanitarian and global development sector' references 7 narratives on fraud:

➢ **Fraud is not a problem for us:** Denial, based on an apparent lack of evidence is common.

➢ **INGO staff don't commit fraud:** Assumptions about integrity do not prevent corruption.

➢ **Corruption is inevitable where we work:** Risk does not equal inevitability. Fatalism distracts from getting on with strengthening processes. Humanitarians need to be role models; resist de-sensitization to fraud; and learn anti-fraud efforts from others.

➢ **If most money gets through, that's ok:** Who sets the bar on public money – 2% or 20%?

➢ **The biggest risk is reputational:** Often true so the response should be pro-active.

➢ **Only serious cases matter:** Consider the 'Broken Windows' Theory – small fraud creates a culture of fraud, which can normalize such behaviour and can add up.

➢ **Humanitarian Imperative trumps all:** This binary narrative can be used to rationalize bribery, over-stretch ability while taking improper care of resources and prevent focus on anti-fraud measures.

Stakeholders and Corruption

No	Stakeholder Type	Attribute (P-Power, L-Legitimacy, U-Urgency)	Stakeholder groups
1	Dormant	P	Logistics providers, suppliers
2	Discretionary	L	Volunteers
3	Demanding	U	Other NGOs
4	Dominant	PL	Governments
5	Dangerous	PU	Military, media
6	Dependent	UL	Beneficiaries, field staff
7	Definitive	PLU	Donors, HQs

Schiffling & Piecky (2014) identify up to 11 relevant stakeholders who have different impacts on humanitarian supply chains – stating that they need to be responded to differently.

Lu et al, (2015) talks about the importance of psychological factors in supply chain performance, describing how perception gaps between buyers and suppliers and expectation gaps between organizations and end-users can reduce alignment across the supply chain.

This can create mistrust and impacts on resource planning, allocation, costs and performance. He argues that the goal of a supply chain requires all parties to share a perception of success.

- *If trust is critical in a supply chain, how can you discuss corruption but maintain this?*
- *What might these stakeholders need to know and why?*
- *How can you engage with the perspectives of 'dangerous' stakeholders?*
- *Whose perspectives should you prioritize? Why?*

**Using the case study,
prepare a project implementation response on how to
respond to fraud and corruption.
Consider cost, timelines and security.**

Fraud and Corruption in Humanitarian Supply Chain Management – an overview