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FINANCIAL AND BUDGETARY MATTERS

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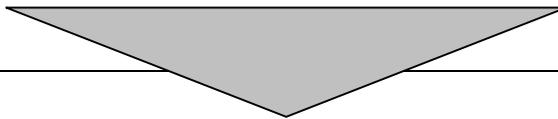
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REPORT OF THE OFFICE OF THE INSPECTOR-GENERAL (2000–2001)

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Note to the Executive Board



This document is submitted for consideration to the Executive Board.

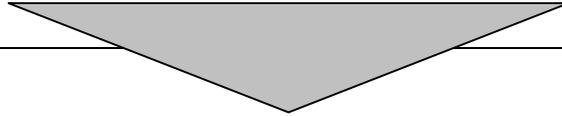
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Officer-in-Charge, Division of Oversight Services (OEDO) Mr D. Nelson tel.: 066513-2045

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Executive Summary

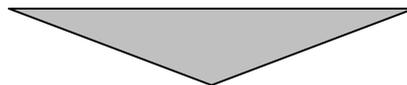


In accordance with Article VI (2) (b) (viii) of the WFP General Regulations, the Executive Board is provided with a biennial report on inspections and investigations for its consideration and forwarding to the United Nations Office of Internal Oversight Services (OIOS), as established by Board decision 1996/EB.3/3. This is the fourth report of the Office of the Inspector-General (OEDI) and covers the period January 2000 to December 2001.

This document:

- summarizes the investigations and inspections undertaken and their impact;
- reports total recoveries for the period of over US\$800,000;
- provides information on the establishment of the Division of Oversight Services (OEDO); and
- describes cooperation with other oversight units and host governments.

Draft Decision



The Board provides its comments on the report by OEDI (WFP/EB.3/2002/5-F); those comments, together with the report, will be forwarded to the United Nations Office of Internal Oversight Services.



INTRODUCTION

1. This is the fourth report of the Office of the Inspector-General (OEDI) to the Executive Board and covers the period 2000–2001. In considering the OEDI report for 1998–1999, the Board called for continued interaction with other oversight units within WFP, especially the Office of Internal Audit (OEDA), and with the Office of Internal Oversight (OIOS) of the United Nations. The Board also stressed that cost-effective mechanisms to deter waste, fraud and mismanagement should be in place throughout the United Nations system.
2. OEDI received a wide range of complaints over the biennium. Of these, 71 cases were considered to warrant fact-finding and/or recording for future reference. As a result, reports were submitted to the Executive Director on 18 investigations and 11 inspections undertaken at Headquarters and in the field. Fourteen country offices were visited.
3. OEDI inspections and investigations uncovered over US\$4,748,000 worth of commodity losses during the reporting period. Recoveries for the reporting period totalled over US\$800,000, over 80 percent of which related to recoveries for food lost, diverted, or stolen. Over 10 percent represented cash recovered after theft or staff misconduct; the balance represented recovery of a vehicle.
4. OEDI provided management with 125 recommendations during the reporting period; 51 of these arise from investigations and 74 are linked to inspections. The recommendations covered a wide range of subjects including staff discipline, management practices, warehouse management, establishment of guidelines, collaboration with other United Nations entities, improvements to procedures and recovery of diverted or stolen food. OEDI reports specify the units responsible for implementing recommendations; they include country offices, regional bureaux and divisions at Headquarters.

INVESTIGATIONS

5. An investigation begins with a report to OEDI of possible irregularities, such as violations of rules or regulations, mismanagement, misconduct, waste of resources, abuse of authority or unlawful conduct. The aim of an OEDI investigation is to determine whether a wrongful or unlawful act has occurred and, if it has, to identify the person or persons responsible by gathering evidence. In its investigations, OEDI observes the principle of due process. This principle requires the investigation to be conducted in a manner that is fair to both the person investigated and WFP, and that follows relevant rules and regulations.
6. The 18 investigations conducted by OEDI during the reporting period were undertaken at Headquarters and in the field. The cases investigated covered:
 - commodity losses (see Annex for the most representative cases);
 - a follow-up investigation of previously reported commodity losses;
 - an allegation of large-scale diversion of WFP food; in this case, OEDI found no evidence to support the allegation;
 - allegations of improper practices and staff misconduct in country offices; in two cases the allegations were found to be groundless, but in three others the allegations were well founded and appropriate disciplinary action was taken against the staff



- concerned; in one of these cases, OEDI recovered over US\$4,000 that had been misappropriated from the Programme;
- Internet/e-mail abuse; in 2000, WFP issued a new finance directive on the use of network services and the Internet; staff usage of these services should be compatible with the ethical standards of the International Civil Service environment;
 - sexual harassment; OEDI notes that staff awareness of WFP's policy on prevention of such harassment increased in the period under review; the topic is dealt with in the security awareness training undertaken by staff;
 - hostage-taking (see Inter-Agency Collaboration below); and
 - fraud/theft of cash; in one case, the fraud was discovered and the Finance Services Division intervened before any loss was incurred; in the other case, the full amount of the loss, US\$100,000, was recovered, together with costs; OEDI shared with country office staff lessons learned from these cases regarding security of cheques and other instruments of payment.
7. Five staff members were sanctioned by the Programme in connection with commodity losses and a further five staff members were sanctioned in relation to other cases mentioned above.
8. OEDI's investigations of cases of commodity losses brought to the attention of WFP's managers the need to:
- improve logistics management;
 - increase adherence to WFP's guidelines on food management;
 - improve commodity tracking and follow up losses promptly;
 - carry out adequate monitoring and train monitors properly;
- increase the accountability of those responsible for commodity losses, whether responsibility lies with a government department, an implementing partner or a WFP staff member; and
- take all necessary corrective action, including steps to ensure full reimbursement for commodities lost.

INSPECTIONS

9. An OEDI inspection provides a snapshot assessment of activities and produces immediate recommendations for remedial actions. It is more management-oriented than systems oriented. It does not have the depth of an evaluation or the scope of an audit and does not aim at covering all aspects of a programme. An inspection is normally undertaken in response to information about a particular concern.
10. The 11 reports on inspection issued during the reporting period concerned:
- country offices (one report covered a follow-up inspection, and one inspection was undertaken concurrently with an investigation);
 - Internet/e-mail usage;
 - management/administrative practices;
 - procurement in a country office; and



- the use of mobile telephones at Headquarters.
11. The most significant inspections of country offices included the following:

Case A

12. The country office was operating with serious deficiencies in procurement, finance, administration, warehouse management, food-for-work monitoring and in its discharge of supervisory responsibilities. Staff morale was poor.
13. The Regional Manager and the acting Country Director participated in the inspection and many problems were addressed immediately. For example, action was taken to reorganize the office and to reassign employees to duties more suitable to their core competencies; the contracts of employees who had performed poorly were not renewed.
14. The previous Country Director and the Officer in Charge were sanctioned by the Programme.

Case B

15. OEDI took advantage of a mission in one country and conducted a follow-up inspection in a nearby country. It was observed that most of the findings and recommendations of the first inspection (in the areas of cash management, budgeting, finance, travel, personnel, transport and logistics, and office administration) had been addressed, but some outstanding matters were noted for follow-up action by the country office. The local United Nations Resident Coordinator informed OEDI that the problems that had prompted the previous inspection were no longer being brought to his attention, and he felt that the reputation of the country office was now excellent.

MAJOR DEVELOPMENTS IN OVERSIGHT SERVICES

16. On 1 November 2001, the Executive Director established a new Division of Oversight Services (OEDO), consolidating the existing offices of Inspection and Investigation (OEDI), Internal Audit (OEDA), and Evaluation and Monitoring (OEDE). The purpose of this was to increase coordination and synergy between the oversight functions.
17. The Director of OEDO exercises the key function of Inspector-General, providing information and reporting directly to the Executive Director to promote the importance of improved oversight and accountability. OEDO will assist the Executive Director in fulfilling his internal oversight responsibilities. OEDO will operate independently under the authority of the Executive Director and in conformity with the highest professional standards of oversight, ethics and integrity. The division has the authority to take any action it considers necessary to fulfil its responsibilities with regard to evaluation and monitoring, internal audit, and inspection and investigation.
18. An immediate improvement resulting from the consolidation of the existing oversight offices was a sharp increase in the exchange of relevant information on a day-to-day basis between the division's units, which now regularly provide each other with their work plans.
19. OEDO is responsible for:
- establishing overall oversight strategies and providing leadership in their execution;



- planning inspection and evaluation work through its various oversight units and sharing information among the units; and
- presenting to the Executive Director and relevant committees the results of the discharge of these internal oversight functions and the related recommendations for improvements.

INTER-AGENCY COLLABORATION

20. OEDI was involved in the following inter-agency collaboration activities during the reporting period:

- WFP, UNICEF and the Office of the United Nations Security Coordinator (UNSECOORD) carried out a joint mission to review a hostage detention case involving Operation Lifeline Sudan (OLS) aircraft. The principal recommendations of the review concerned the needs for improved identity checks on passengers boarding OLS aircraft, assignment of an international security officer and improved contingency planning for hostage incidents.
- Officials of the Office of the United Nations High Commissioner for Refugees (UNHCR) provided OEDI with valuable cooperation in an inspection undertaken in response to reports of food diversion.
- Interpol continued to provide OEDI with technical services during the reporting period in connection with the abuse of Internet and e-mail resources.
- OEDI conducted research on behalf of the United Nations Industrial Development Organization (UNIDO), the International Atomic Energy Agency (IAEA) and the World Bank, and collaborated with OIOS.

COLLABORATION WITH THE JIU

21. OEDI continued to collaborate with the United Nations Joint Inspection Unit (JIU) during the biennium. This included commenting on the JIU's comprehensive report on strengthening the investigations function in United Nations system organizations (WFP/EB.2/2001/8), which was presented to the Executive Board at its Second Regular Session of 2001.

OEDI PARTICIPATION IN MEETINGS/CONFERENCES

22. In pursuit of its aims to strengthen capacity and share lessons learned, OEDI participated in a number of conferences and meetings, including:

- the Second Conference of Investigators of United Nations Organizations and Multilateral Financial Institutions, hosted by OEDI in Rome in June 2000, which was organized back to back with the yearly meeting of Representatives of Internal Audit Services, also hosted in June 2000 in Rome by OEDA;
- the Interpol conference held at its headquarters in Lyon in September 2000—the First International Conference on Cooperation between Law Enforcement Agencies and Banking and Financial Institutions; and



- seminars organized within WFP and other international institutions; during the seminars held at WFP, OEDI gave presentations on commonly encountered issues.

COLLABORATION WITH HOST GOVERNMENTS

23. While conducting investigations in countries, OEDI continued to work closely with its national authorities. During the reporting period, OEDI worked with national authorities in numerous countries in Africa, South America and Eastern Europe on issues ranging from cheque fraud to food diversions. The purpose of this collaboration is to help to bring enquiries to a successful conclusion, especially where serious criminal acts have been committed and in connection with WFP privileges and immunities.

FUTURE CHALLENGES

24. OEDI continued to work to increase the level of accountability within WFP. A visible oversight office, in particular the establishment of an oversight division, had and will have a deterrent effect; it is a reminder that the rules must be observed. Managers at all levels at Headquarters and in the field are aware that their work and behaviour will be monitored, evaluated, inspected and investigated as required. The proportion of recommendations implemented and their impact and importance will be subject to close scrutiny by OEDO in 2002 and 2003.



ANNEX

Country A

1. The country office and a major donor reported theft of 32 tons of WFP rice. OEDI carried out an investigation in the country office, which revealed that WFP operations in that country had a history of commodity losses caused by theft and mismanagement. OEDI ascertained that the total value of losses since 1995 amounted to over US\$800,000.
2. As a result of the investigation, the Government acknowledged weaknesses in accountability and agreed to reimburse WFP the total amount of the loss, which was over US\$800,000. Partial reimbursement, 30 percent of the value of the loss, has already been made and the balance is due to be paid by 2003, following a schedule agreed by WFP and the Government.
3. The government ministry concerned improved commodity management by making senior management changes, improving warehouse records to meet WFP standards, conducting physical inventory counts and improving commodity tracking. The ministry also contracted a lawyer to follow up on cases of theft since 1995.
4. Two senior WFP managers were sanctioned by the Programme for poor accountability in connection with these losses.

Country B

5. OEDI conducted an investigation into commodity losses amounting to 1,154 tons, with an approximate value of US\$250,000. Losses, which included warehouse shortages (250 tons), resulted from unauthorized releases of food (782 tons) and theft (122 tons). Most problems stemmed from the scant attention paid by the government counterpart to the project plan of operations. Senior counterpart officials indicated a general disregard for internal control and a lack of interest in correcting problems. The country office failed to monitor adequately one of the projects in which the majority of losses were incurred.
6. The OEDI investigation took place at the same time as a logistics mission. OEDI and the logistics mission provided government officials with an overview of commodity management improvements required. This overview included the need for co-management of the complete commodity movement process, improved warehouse conditions, improved monitoring and transparent and complete reporting. The Government worked with WFP to implement these measures, and the country office later provided OEDI with a list of improvements that had been made. These included improvements in internal controls, more staff training, close scrutiny of monthly food status reports, recruitment of additional food monitors at the sub-office level and recruitment of WFP storekeepers to work with government storekeepers to ensure adherence to WFP food management procedures.
7. The country office suspended the project that incurred the highest losses for a period of approximately one year. The project restarted once the new logistical arrangements had been implemented by the government counterpart. A WFP staff member was dismissed as a consequence of inadequate performance in managing the project.

Country C

8. WFP sustained a loss of 580 tons of grain worth approximately US\$198,000 when it was defrauded by a milling company contracted to mill the grain into flour. A complaint to judicial authorities and an OEDI investigation led to seizure of some of the grain and the recovery of approximately US\$2,000 in value. OEDI identified significant internal control weaknesses that had created the opportunity for the fraud. These weaknesses included a



poor procurement process, lack of segregation of duties and failure by sub-office staff to monitor the milling services satisfactorily. The country office took action to increase supervision of the sub-office; the sub-office manager is no longer employed by WFP.

9. The judicial authorities are continuing to press charges against the owner of the mill.

Country D

10. Commodity diversions of 6,761 tons of wheat flour valued at US\$3.5 million took place in the country over a period of 19 months. The flour was intended for refugees and other vulnerable groups but was instead diverted to a school snack programme that was outside the scope of WFP assistance. The diversion was discovered in the course of checking by WFP monitors. The country office immediately suspended all food distributions by the implementing partner and called for a thorough investigation by the Government.
11. The government investigation established that the diversion had been made by WFP's implementing partner, using a system of false waybills.
12. As a result of OEDI intervention, 5,261 tons of wheat flour was reimbursed to WFP, 700 tons in 2001 and 4,561 tons in 2002, with follow-up action by the country office regarding the remaining 1,500 tons. WFP withheld over US\$500,000 in payments to the implementing partner pending its agreement to reimburse the entire diverted quantity and adjustment of the landside transport, storage and handling payments.
13. In a letter to the Secretary-General of the implementing partner, the Executive Director of WFP drew attention to this serious breach of trust. Senior managers of the implementing partner were removed from the local office, and its headquarters took steps to restructure and establish satisfactory internal controls.
14. A WFP staff member was sanctioned by WFP for poor managerial judgement in response to the diversion.

Country E

15. The details of this loss were reported to the Executive Board in the previous report of OEDI, covering 1998 and 1999, since the losses were originally identified in 1999. The OEDI investigation took place in 2000. The Government has committed itself to reimburse the US\$1.75 million value of the loss to WFP and signed an agreement in 2001; a repayment plan was established. Repayment was due to begin in 2002, but in 2001 the Government made an advance reimbursement of commodities valued at over US\$70,000. The project had been suspended pending the start of repayments.
16. The counterpart project management body has been reorganized and officers suspected of being responsible for the diversion of WFP commodities have been removed from their functions. Monitoring has been reviewed and reinforced with more visits to warehouses and field offices. Staffing in the country office has improved: two sub-offices were established as a measure to improve logistics, commodity management and monitoring.

