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**Executive Board  
Annual Session**

**Rome, 8–12 June 2009**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 6**

*For consideration*

# **E**

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## **REPORT OF THE INSPECTOR GENERAL**



This document is printed in a limited number of copies. Executive Board documents are available on WFP's WEB site (<http://www.wfp.org/eb>).

## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for consideration.**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

Inspector General and Director,      Mr S. Sharma      tel.: 066513-2700  
Oversight Services Division:

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).



## EXECUTIVE SUMMARY

In accordance with Article VI (2) (b) (viii) of the WFP General Regulations, this annual report of the Inspector General is presented to the Executive Board for its consideration, and as established by Board decision 1996/EB.3/3, forwarding it to the United Nations Office of Internal Oversight Services. This is the eighth report of the Inspector General and covers the period from January to December 2008.

This document:

- presents an overview of the Oversight Services Division, its core strategy, the standards it operates under, resource availability, activities and quality assurance framework;
- gives an overview of oversight activities with summary of audits, inspections and investigations, and other advisory activities, and reports on trends;
- reports losses of US\$853,098 identified in 2008 and total recoveries in 2008 of US\$41,196;
- describes cooperation with other oversight bodies and host governments; and
- previews work for 2009.

## DRAFT DECISION\*

The Board takes note of “Report of the Inspector General” (WFP/EB.A/2009/6-E/1) and requests the Secretariat to forward it to the United Nations Office of Internal Oversight Services.

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.



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## INTRODUCTION

1. The mission of the Inspector General and Oversight Services Division (OSD) is “to provide the Executive Director independent and objective assurance, investigation and consulting services designed to add value and improve WFP’s operations. It achieves this through internal audits, inspections, investigations and other advisory services” (ED Circular No: ED2005/007).
2. The Office of the Inspector General was established in 1994; its first report to the Board was made in 1996. The Executive Director approved the OSD Charter in 2005, which was shared with the Board as an annex to the Inspector General’s Report for 2004–2005.<sup>1</sup> In accordance with amendments to the WFP General Regulations, reports of the Inspector General to the Board are presented on an annual basis beginning with the current report. This is the eighth report of the Inspector General and covers the period from January to December 2008.
3. OSD carries out its audit function in compliance with the Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (IIA), and its investigations function in conformity with Uniform Standards for Investigations adopted by the Fourth Conference of International Investigators of United Nations Organizations and Multilateral Financial Institutions, held in 2003.
4. The current report of the Inspector General is presented in three main sections, as follows. First, it reviews the context in terms of purpose and objectives of the Oversight Services Division, resources, main activities and quality assurance approach. Second, it gives an overview of the oversight activities on audits, inspections/investigations and other advisory services. Third, it highlights the most significant oversight findings from audit and inspection/investigation concluded during the year.

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## CONTEXT

### Objective and Strategies

5. OSD provides internal audit, inspections, investigations and other advisory services to strengthen the functioning of WFP. Management and the governing bodies have responsibility for WFP’s risk management, control and governance processes. OSD provides the Executive Director with independent and objective assurance on the effectiveness of these processes in achieving WFP’s objectives in accordance with its policies, rules and regulations.
6. The oversight strategy pursued was to continue enhancing WFP’s risk management, control and governance by (i) contributing to policy development; (ii) providing independent assurance through internal audits; and (iii) conducting independent inspections and investigations. This included proactive measures, such as the inspection checklists available on the internal WFP website; Office of Inspections and Investigations (OSDI) presentations given at training sessions for country directors, finance officers and junior professional officers (JPOs); and the OSDI hotline, which helps reduce the risk of fraud, corruption and mismanagement. The oversight strategy was aligned with WFP’s Strategic Plan (2008–2011). Its development and execution took into account the

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<sup>1</sup> WFP/EB.A/2006/6-F/1, paragraph 39



Strategic Objectives and the risks and weaknesses identified in the Strategic Plan and the Management Plan.

7. The internal audit strategy aims to provide annual assurance through a risk-based functional audit approach. Accordingly, on the basis of a risk assessment, business processes in three functional areas are ranked. The high-risk processes are audited annually, the medium-risk processes are audited in a two-year cycle and the low-risk processes are audited in a three-year cycle. These processes were tested at Headquarters and in the field. The field testing was based on a risk assessment of country offices.
8. The information technology (IT) processes were captured in four functional areas and similarly rated for risk and audited according to the cycle mentioned above. These were covered through an accelerated auditing plan. The framework was designed to deliver reasonable assurance.
9. Advisory and consulting services were provided to management with respect to new initiatives and projects, including analysis and commentary on proposed procedures, guidelines and initiatives from the perspective of compliance, control and risk management. The advisory services were demand-driven. However, for better prioritization of internal audit resources, all requests were assessed for risk and a decision to accept or reject taken accordingly.
10. Under the umbrella of inspection and investigation, during the year most resources were assigned to investigations, with only one inspection conducted. Investigations were undertaken following a triaging process on the basis of risks posed to WFP by the reported event. The current triaging process considers an allegation's risk profile:
  - high if it: i) is an allegation against staff at P5 and above; ii) involves sexual exploitation or abuse (SEA); iii) involves loss of US\$50,000 or more; iv) involves risk to the image or reputation of the organization or risk to operations; or v) is a complaint of retaliation under the whistleblower protection policy.
  - medium if it: i) is related to harassment, sexual harassment and abuse of power (HSHAP); ii) involves risk of further loss (cash or assets) or damage to evidence; or iii) is an allegation against an international staff member; and
  - low if the complaint: i) falls outside of the criteria established for high or medium risk; or ii) involves a loss of less than US\$5,000.

## Main Activities

11. Table 1 shows various oversight missions and activities undertaken over the past five years. Annex I lists the locations of audits undertaken and Annex II shows the trend of investigation activities during 2008.



TABLE 1: TREND OF OSD ACTIVITIES								
Internal Audit						Investigation	Inspections	
Year	No of reports issued	Missions			Desk Reviews	Advisory services		
		Field	HQ	IT				
2004	29	30	6	0	0	126	70	2
2005	40	32	6	1	0	129	80	5
2006*	18	19	5	2	0	73	74	2
2007	25	17	5	4	0	86	65	5
2008**	46	15	8	4	9	55	49	1

\* The 2006 and 2007 field audits have been calculated differently from the 49 as reported in WFP/EB.A/2008/6-F/1, Table 2; together they are 36, which reflects the number of audits performed, rather than the field offices visited; some process audits covered several field locations.

\*\* The number of reports issued was significantly higher in 2008 because a back-log of reporting was cleared.

12. Since 2006, upon the recommendation of the Audit Committee, the audit strategy has shifted from audits of entities, to a more in-depth review of processes in a combination of small and larger offices. This allows the rendering of an overall opinion on the adequacy of WFP's risk management, governance and control processes. Accordingly, even though the number of processes audited has increased (from 105 in 2007 to 205 in 2008), the number of entities visited from 2006 onward has decreased.

## Resource Allocation

13. Budget allocation to OSD in nominal terms increased 28 percent from 2006–2007 to 2008–2009; however, the impact of staff cost increases eroded its capacity by 6 percent, from 30 staff members to 28. Similarly, budget allocations doubled between 2004–2005 and 2008–2009, but staff resources increased only 16 percent, from 24 to 28 staff members.

TABLE 2: OSD RESOURCES (US\$ thousands)			
	2004–2005	2006–2007	2008–2009
Budget allocation	5 586	9 109	11 652
Actual expenditures	7 300	9 706	5 156 (2008)
Professional staff	16	20	20
General service staff	8	10	8
<b>Total staff</b>	<b>24</b>	<b>30</b>	<b>28</b>

## Staffing

14. Most professional staff in the Office of Internal Audit (OSDA) are qualified accountants and auditors with extensive experience in auditing both in the private and public sectors. The staff in the Office of Inspections and Investigations (OSDI) is comprised of investigators reflecting a variety of relevant professional backgrounds. For staff to maintain their skills, knowledge and certifications, OSD ensures that each staff member attends external training or conferences once a year.



## Quality Assurance

15. OSD's quality assurance is guided and assured by external reviews. The IIA provided an external review of OSDA in 2006. The review found OSDA to "generally conform" to IIA standards and made 13 recommendations for improvements. Eleven recommendations addressed to OSDA have been implemented; implementation of the two recommendations on oversight independence and streamlining of the Programme's risk management processes are still in progress. The next external review will be carried out in early 2010.
16. A peer review of the investigation function conducted by the European Commission Anti-Fraud Office (OLAF) and the Inter-American Development Bank (IDB) in 2008 concluded that OSDI complies with the Uniform Guidelines for Investigations.<sup>2</sup> OSDI plans to include the recommendations from the peer review in the Quality Assurance Manual, to be updated in 2009. Both OSDA and OSDI also maintain a robust internal quality-assurance process.

## Coordination with External Auditors and other Oversight Bodies

17. OSD interacted regularly with the WFP Audit Committee through various briefings. OSD shares and discusses with the Audit Committee, OSDA and OSDI annual plans, budgets, quarterly reports and emerging risks. OSDA also shares its audit strategy and work plan with WFP's External Auditor, the National Audit Office (NAO) of the United Kingdom.
18. OSD is a participant in the working group of the Representative of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (RIAS). WFP led the RIAS sub-group on the role of internal audit services in IPSAS implementation. In September it presented a position paper at the RIAS Annual Meeting in Washington, which was adopted at the meeting.
19. OSD participated in the Conference of Internal Investigators of the United Nations Organizations and Multilateral Institutions and was an observer at the Conference of the States Parties to the United Nations Convention against Corruption. It participated in the Institutional Integrity Initiative of the United Nations System Chief Executives Board for Coordination (CEB).
20. There is close collaboration between OSDA and OSDI. OSDA receives briefings from OSDI before conducting audits concerning inspection matters. OSDI receives referrals from OSDA on potential investigations. OSDI maintains communication with the Ombudsman, the Staff Relations Branch, the Ethics Office and Legal Services. OSDA collaborates with the Office of Evaluation by sharing its work plan, and briefing it on the results of its work.
21. OSDI presented the results of the recent peer review at the Ninth Conference of International Investigators hosted by the Food and Agriculture Organization of the United Nations (FAO) in June and was a panel member for investigation of allegations of sexual exploitation and abuse at the Conference on Protection of Unaccompanied and Separated Children organized by the United States State Department in October. It also participated in the United Nations Task Force on Protection from Sexual Exploitation and Abuse in Humanitarian Crises.

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<sup>2</sup> Adopted by the Fourth Conference of International Investigators, 2003.



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## OVERVIEW OF OVERSIGHT ACTIVITIES

### Internal Audit

22. OSDA activities included functional audits of business processes and IT processes at Headquarters and field offices, and other advisory activities. The internal audits of business activities covered: i) governance (i.e how the office organizes and manages its work in relation to its objectives); ii) enterprise risk management; and iii) control activities on financial management and reporting; operations and programme management; support services; and resource mobilization, external liaison and partnership.
23. Taking into account the oversight activities carried out, OSDA concluded that WFP was a medium-risk organization with moderate assurance of achieving its objectives in accordance with its policies, rules and regulations.
24. Internal audits of IT functions followed the Control Objectives for Information and related Technology (COBIT) processes. The audits covered how an office/unit: i) plans and organizes; ii) acquires and implements IT systems and services; iii) delivers and supports IT systems and services; and iv) monitors and evaluates. The processes or entities that get audited are identified on the basis of an assessment of the risk associated with them.
25. In the 2008 annual work plan OSDA introduced a system of desk reviews to supplement field audit visits. This mechanism involved obtaining information from the field offices, performing a detailed review at Headquarters and issuing an audit report on completion. OSDA initially planned 14 desk reviews; after completing the first 9 reviews, it became clear the mechanism was not effective because it was costly in terms of staff time and resources and inconvenient for clients. As a result of this, the remaining five desk reviews originally planned were cancelled.
26. OSDA reviewed 205 business and IT processes (compared to 105 in 2007), of which 16 were at Headquarters and 189 at field offices. To review the business processes, there were 15 field missions and 8 missions to Headquarters offices/units; 4 IT missions were also carried out. The breakdown of the audits by function, scope and location is given in Table 3.



<b>TABLE 3: PROCESSES COVERED IN 2008 AUDITS</b>		
<b>Function</b>	<b>Locations</b>	
	<b>HQ</b>	<b>Field</b>
<b>Business Processes</b>		
Governance	3	16
Risk management	1	11
<b>Control activities:</b>		
- Financial management and reporting	5	31
- Operations and programme management	-	84
- Support services	2	29
- Resource mobilization, external liaison and partnership	1	2
<b>Subtotal</b>	<b>12</b>	<b>173</b>
<b>IT processes</b>		
Plan and organize	1	4
Acquire and implement		4
Deliver and support	2	4
Monitor and evaluate	1	4
<b>Subtotal</b>	<b>4</b>	<b>16</b>
<b>GRAND TOTAL</b>	<b>16</b>	<b>189</b>

27. The audits of functions shown in Table 3 above gave rise to 321 observations of various levels of risk severity, as shown in Table 4.

<b>TABLE 4: AUDIT OBSERVATIONS, BY LEVELS OF RISK SEVERITY</b>			
<b>Function</b>	<b>Number of Processes</b>		
	<b>High risk</b>	<b>Medium risk</b>	<b>Low risk</b>
<b>Business Processes</b>			
Governance	1	10	4
Risk management	-	8	-
<b>Control activities:</b>			
- Financial management	2	13	19
- Operations and programme management	1	106	45
- Support services	1	36	32
- Resource mobilization, external liaison and partnership	-	-	-
<b>Subtotal</b>	<b>5</b>	<b>173</b>	<b>100</b>
<b>IT Processes</b>			
Plan and organize	-	5	1
Acquire and implement	-	4	5
Deliver and support	12	10	-
Monitor and evaluate	-	5	1
<b>Subtotal</b>	<b>12</b>	<b>24</b>	<b>7</b>
<b>GRAND TOTAL</b>	<b>17</b>	<b>197</b>	<b>107</b>

28. Of the 321 audit observations, 149 related to non-compliance, 146 to business processes and 3 to IT processes. There were 102 pertaining to guidance, of which 80 were in business processes and 22 in IT processes. Forty observations were related to guidelines, of which 22 to business processes and 18 to IT processes. There were 11 observations of errors and 19 on resources for business processes. Out of the 321 audit observations raised in 2008, 288 are still in process.
29. At the end of 2008, there were 1,357 active observations since the first database was started in 2000, of which 1,313 are being addressed by management. OSD is in discussion with management to reach agreement on the remaining 44 issues of mainly medium or low risk.

### **Advisory Services**

30. OSDA responded to 55 of the 76 requests it received for advisory and consulting services, based on a risk-based screening process. Of the 55 requests to which it responded, 16 were on policies and guidelines, 11 were related to United Nations agencies, 7 were related to donor relationships and the remaining 21 were in other categories. The major assignments accepted were coordinating the United States Government Accountability Office (GAO) review of local and regional purchase of food aid; advising on bilateral operations in support of WFP beneficiaries in Algeria; advice on recording of cash and voucher schemes; drafting a directive on leases; and advising on in-kind donations of facilities and leasehold improvements.

### **Inspections**

31. An inspection is an oversight tool that provides the Executive Director and senior managers with objective information about field offices and units in Headquarters. The findings from an inspection may lead to an investigation. The main objectives of an inspection are to: i) assist management in ensuring optimal use of available resources and compliance with regulations, rules and policies of the Programme and with the decisions of the Executive Board; ii) facilitate accountability and ensure presence of effective monitoring systems; iii) recommend actions to promote effectiveness, efficiency, and integrity; and iv) detect and prevent waste, abuse and malfeasance, and acts of misconduct and fraud.
32. One inspection of a country office was conducted following concerns raised by the Government and the country director concerning duty-free imports. OSDI conducted a combined inspection and investigation mission; the inspection concluded that the country office had a low risk.

### **Investigations**

33. An investigation is a legally based and analytical process designed to gather information in order to determine whether wrongdoing occurred and, if so, the persons or entities responsible. Investigations are conducted in response to allegations of violations of regulations, rules, standards and other administrative issuances.
34. The aims of an investigation are to: i) identify the root cause of the problem; ii) assess the extent of any loss or damage to WFP; iii) determine responsibility for any loss or damage; iv) stop any further loss or damage; iv) recover funds or assets or take other corrective action; and v) recommend measures that will prevent any future loss or damage.



35. The number of complaints fell slightly, from 180 in 2007 to 174 in 2008, a 4 percent drop. Of the 174 new complaints recorded, 49 were converted into cases for investigation, a 25 percent drop from 2007. Most complaints were received as referrals from country offices, while 35 percent were received through the WFP hotline. Of the new cases, 6 pertained to HSHAP; 3 were related to sexual exploitation and abuse, and 29 related to fraud and commodity losses. In addition, 54 cases were carried over from 2007. Of the 103 cases processed, 38 were closed. Eleven investigation missions were conducted.

<b>TABLE 5: INVESTIGATIONS</b>		
<b>Category</b>	<b>Complaints</b>	<b>Cases</b>
Harassment/sexual harassment/abuse of power	31	6
Sexual exploitation	4	3
Conflict of interest/bribery, food diversion, fraud, financial fraud, procurement fraud, entitlement fraud, theft	90	36
ICT, others	21	4
Referrals, consultation/information	28	0
<b>TOTAL</b>	<b>174</b>	<b>49</b>

36. A senior OSDI officer assisted in the criminal prosecution of two former WFP staff members charged with defrauding WFP's regional office in Johannesburg in 2005. The trial has begun in court, but the matter is not concluded and OSDI will continue to be involved. The significant amount of time which OSDI has had to devote to the trial meant that other investigations could not be progressed as quickly as desired.
37. OSDI raised 132 recommendations during the year, of which 66 had been implemented as at February 2009. OSDI continues to follow up on implementation of the remaining recommendations.
38. Sanctions imposed on staff recommended for administrative/disciplinary action consequent to an investigation help to ensure appropriate conduct: they send a clear message to all staff that unsatisfactory conduct will not be tolerated. Of 39 staff against whom reports were submitted in the year, WFP sanctioned 22 staff. (This latter figure includes 6 international staff and United Nations volunteers and 16 national staff, including those covered under service contracts and special service agreement contracts). Administrative/disciplinary actions concerning another 17 staff were not concluded as at February.
39. The total loss from cases investigated in 2008 was US\$853,098, and total recovery in the year was US\$41,196. In one of these cases, the police are assisting in recovering the value of the food stolen and in another case, the government counterpart will be requested to make full reimbursement of the lost food.

### **OSD Participation in Committees**

40. The Director of OSD participates as an observer in the Investment Committee, Staffing Committee, the IPSAS Board, and the WINGS II Steering Committee and the Policy Committee.



## OVERSIGHT HIGHLIGHTS

41. WFP made several improvements in oversight at the organizational level in 2008. The adoption of IPSAS led to, among other things, improved management of inventories of food and non-food items, and of property, plant and equipment. Controls and systems in the organization have been greatly improved by: i) better tracking and monitoring of audit recommendations; ii) development of a governance framework for ICT; iii) establishment of the Ethics Office; iv) implementation of a financial and conflict-of-interest disclosure programme; v) the revision of the whistleblower protection policy to separate the roles of the Ethics Office and OSD. Work advanced toward the introduction of the WFP Information Network and Global System II (WINGS II), which is expected to be a much stronger and better-controlled system. Areas where there is room for further improvement are presented here.

### Weaknesses Identified by Internal Audit

42. OSDA reports on good practices and weaknesses it observes. The main audit weaknesses for business and IT processes are summarized below. Recommendations made concerning these have been accepted by management and are being implemented.

### Security

43. Worsening security situations in WFP field offices restrict country office capacity to implement and monitor programme activities and operations. They are especially a threat to staff and WFP property in Afghanistan, the Democratic Republic of the Congo (DRC), Somalia and the Sudan (Darfur).

### Implementation of Audit Recommendations

44. Internal audit recommendations – including a number of high-risk audit recommendations covering programmes, operations and financial processes – have not been addressed in as timely a fashion as would be desirable. High insecurity was partly responsible for the failure to implement certain recommendations. The Executive Director has instructed senior management to take direct action to implement audit recommendations.

### Capacity of Cooperating Partners

45. The inadequate capacity and capability of some cooperating partners continued to hamper country office programme and operational activities. There was also a recurring issue of inadequate: i) monitoring by WFP of cooperating partner activities; ii) programme implementation and monitoring by cooperating partners; and iii) quality of cooperating partner reporting on project activities.

### Project Monitoring

46. In many cases, project implementation and monitoring processes remained weak. Common issues noted were in recording and reporting of beneficiary data, poor food stock management, lack of monitoring guidelines, and lack of monitoring and evaluation tools to reliably report on food distributions for project activities. This limited assurance on the use of WFP resources.



## **Procurement and Contracting**

47. There were numerous procurement weaknesses and irregularities in the contracting and procurement processes for transport and logistics services, food commodities and non-food inventory during the year.

## **Logistical Planning and Delivery**

48. There were lapses in the logistical planning, ordering and delivery processes in one large field operation, which also resulted in pipeline breaks due to delayed procurement. In several cases there were weaknesses and irregularities observed in the transport shortlisting and contracting.

## **Non-Compliance with Human Resources Rules**

49. There was non-compliance with established human resources rules and procedures for compensation and benefits payments to international staff. This was mainly attributed to failure to enforce policy requirements, while in other instances it emanated from lack of clear guidelines. There were noted weaknesses in administering lump sum entitlements; the most notable was the failure to enforce the requirements for staff to provide certification and approval of post facto lump sums for travel. Poor procedures for maintaining personnel files were also noted.

## **WINGS Landscape**

50. There was an inadequacy of configuration management for the WINGS landscape. Without a defined configuration baseline, changes made to configuration settings would be difficult to detect and act upon in a timely fashion in order to prevent there being fraudulent transactions and security breaches in the system. In addition, developers had concurrent access to the development and production environments; this increased the risk of fraudulent activities being perpetrated.

## **Headquarters Local Area Network**

51. There was an absence of formalized, documented, tested and updated frameworks for security management, service continuity and configuration management in the local area network (LAN) at Headquarters. Critical logical and physical security vulnerabilities in the network environment were noted, with extensive use of ad hoc practices for regulating security management, service continuity and configuration management.

## **Standardization of Critical Information Technology Processes**

52. The audit revealed a lack of standardized corporate guidance available to IT officers to efficiently manage IT resources. There was lack of coordination between the field offices, regional bureaux and Headquarters to ensure the economically efficient and effective use of IT resources. There was a lack of control of IT application development, resulting in the proliferation of versions of software developed in house for similar tasks.

## **Inspection and Investigation**

53. During the reporting period, OSDI examined various cases, and made recommendations to management for administrative/disciplinary action of staff and corrective actions. Some of the key cases are described below.



## Food Diversion and Various Fraud

54. One major case involving a country office concerned underweight bags, excessive delivery time and the substitution of WFP wheat with lower quality local wheat. In conjunction with the investigation, OSDI performed an inspection of the country office's logistics and commodity management.
55. OSDI recommended administrative/disciplinary action against a international staff member responsible for numerous counts of negligence in the discharge of his/her duties. In the investigation report and the complementary inspection report OSDI also made several recommendations for corrective action by the country director, including: i) reviewing Commodity Movement Processing and Analysis System (COMPAS) reports on a regular basis and requiring that any anomalies be reported to the country director; ii) improving storage and recording of food in all the storage facilities used by the country office, ensuring that commodities are stored as per WFP standards; iii) having the logistic officer perform regular checks and counts of stocks, and reconciling these to COMPAS.
56. Findings from other cases of food diversion, fraud and theft included:
- WFP commodities provided to cooperating partner (CP) were not accounted for.
  - Commodities were lost due to gross negligence of a staff member.
  - Falsified calculations of food-for-work (FFW) projects in two cases resulted in overpayment of food.
  - A staff member attempted to steal WFP food.
  - False statements were made to a third party in an attempt to commit fraud by forging a WFP official letter and signatures of staff members and misusing the official WFP seal.
  - Cash receipts paid to the United Nations Humanitarian Air Service (UNHAS) for flights were misappropriated.
  - An altered receipt for reimbursement was submitted showing a higher amount than the actual expenses.
  - Fuel use was not accounted for because the system for recording and monitoring fuel consumption was discontinued.
57. Although the amounts of losses involved were not substantial, OSDI made recommendations for corrective action and recovery of losses in all of the above cases.

## Conflict of Interest/Bribery

58. One of the major findings of an investigation on conflict of interest included allegations of a senior WFP manager having a personal relationship with a staff member in the same office; OSDI recommended administrative/disciplinary action against the senior staff member involved. OSDI also recommended that the issue be explicitly noted in the new HSHAP policy and that WFP adopt a comprehensive policy on conflict of interest and disclosure thereof.
59. Other cases included:
- A WFP staff member received kickbacks from a transporter. OSDI concluded that the amount was equivalent to at least US\$9,267. OSDI recommended that the amount of US\$9,267 be recovered from the staff member's terminal emoluments and the transporter removed from WFP's shortlist.



- A WFP staff member was reimbursed for hiring private security guards at his/her residence without submitting adequate receipts. Furthermore, the staff member knew that he/she was not eligible for reimbursement.
  - A WFP staff member abused his/her position and engaged in misconduct in that he/she approved reimbursements to himself/herself, claimed a higher security expense than that actually paid to guards and was reimbursed for security expenses without submitting adequate receipts.
60. Recommendations were made to reinforce the United Nations Department of Safety and Security guidelines for the minimum operating residential security standards, and to issue reminders that security reimbursements are not lump sums and must always be supported by adequate receipts.

### **Harassment, Sexual Harassment and Abuse of Power**

61. Some of the findings on HSHAP were:

- In a WFP sub-office, an international staff member had failed in his/her responsibilities as a supervisor and his/her actions amounted to harassment and abuse of authority. OSDI recommended administrative/disciplinary action against the staff member.
- A complaint concerned a doctor – who was providing medical services externally to a WFP office – sexually harassing a patient and violating the doctor–patient relationship. The investigation found that the doctor was furthermore complicit in defrauding the staff medical insurance plan by providing falsely inflated receipts. OSDI recommended that proper screening and background checks be conducted before external service providers are permitted to operate under the auspices of the WFP Medical Services Unit.
- Offensive e-mails were disseminated including explicit photographs and inappropriate language using WFP computers. Staff involved received written warning letters.

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### **PREVIEW OF 2009**

62. The Oversight Services Division will continue to strengthen its internal audit, inspection and investigation activities and processes, and support various governance improvement initiatives of the organization in 2009. Some of the key activities are presented below.

#### **Governance Improvements**

⇒ *Information disclosure policy*

63. OSD will provide input towards the development of an oversight disclosure policy for the consideration of the Executive Board. The input will cover the issue of disclosure of internal audit reports to the membership.





⇒ *Anti-fraud and anti-corruption policy*

64. The CEB has initiated a dialogue among United Nations entities for establishing benchmarks for the principles adopted in the United Nations Convention against Corruption (UNCAC). As the focal point within WFP for the issue, OSD will also draft a WFP corporate anti-fraud and corruption policy, which will: i) affirm and communicate the Programme's resolve to prevent and combat fraud and corruption in its activities and operations; ii) describe the ongoing efforts of the Programme in this area; and iii) outline actions that the Programme will take to implement the policy.

⇒ *Inspector General and Oversight Services Division charter revision*

65. A revision of the Charter of the OSD will be undertaken in 2009 to bring its mandate, scope and activities in line with best practices in the profession, including its relationship with the Audit Committee.

## **Improvement of Internal Tools**

⇒ *Development of a risk barometer*

66. WFP has been implementing risk-based auditing for several years now. The risk-based auditing methodology developed in-house was considered satisfactory by the IIA; further refinements will be made for identifying priority areas for auditing, including development of a risk barometer.

⇒ *Updating audit and investigation manuals*

67. In 2009, the audit manual will be updated to incorporate work done in risk assessment. The investigation manual will be updated to take into account recommendations from the peer review and industry best practices.

⇒ *Reform of the United Nations system of internal justice*

68. In 2008, the United Nations General Assembly approved a comprehensive reform of the United Nations system of administration of justice, which has implications for the administration of investigations, disciplinary processes, grievances and appeals systems for WFP's field-based national staff on fixed-term contracts. Reforms include changes to time limits for investigation processes. The new system is expected to be introduced on 1 July 2009 and will increase the workload of OSDI.

## **Regular Work**

⇒ *Audit work plan 2009*

69. OSDA will continue to manage the internal audit programme, staffing and budget. The office is planning to undertake 9 audits of business processes at Headquarters, 17 audits of business processes at field offices, and 6 audits of IT processes. It will continue to engage in advisory and other assurance-support activities based on assessment of risk, and on a cost-recovery basis, and will continue to enhance its quality assurance and improvement programmes.





⇒ *Inspections and investigations work plan 2009*

70. OSDI will continue to: i) provide assurance and advisory services to management through targeted inspections and investigations of alleged misconduct/malfeasance; ii) assist in the recovery of losses; and iii) adopt best practices in investigation and inspection procedures to promote transparency and accountability in WFP.

⇒ *External and Internal Coordination*

71. OSD will continue to provide advice on oversight-related matters to the Executive Director and other senior executives. The Division will continue to participate in inter-agency fora such as United Nations Development Group (UNDG), RIAS, the Council of International Investigators and the UNCAC.

## ANNEX I

## 2008 AUDITS

<b>Field audits (functional audits)</b>	
1	WFP Ethiopia
2	WFP Sri Lanka
3	WFP Uganda
4	WFP Afghanistan
5	Regional Administration Office Dubai
6	United Nations Development Group – Iraq Trust Fund
7	WFP Pakistan
8	WFP Somalia
9	Regional Bureau for Southern, Eastern and Central Africa
10	WFP Côte d'Ivoire
11	WFP United Republic of Tanzania
12	WFP DRC
13	United Nations Humanitarian Response Depots (Brindisi, Panama and Dubai)
14	Regional Bureau Sudan – Darfur
15	WFP Timor-Leste and Indonesia
<b>Non-information technology functional audits, Headquarters</b>	
1	Compensation and benefits processes (Human Resources Division)
2	Duty travel management (Management Services Division)
3	Off-shoring process (Operations and Management Department (OM) and Finance and Legal Division (FL))
4	Treasury management in WFP (Treasury Branch)
5	WFP fundraising activities (Liaison Office Washington and Liaison Office European Union)
6	Review of WFP interim financial statements – 30 September 2008 (FL)
7	United Nations reform (OM, External Relations Division (RER), External Affairs and Resource Development Department (RE))
8	Change management and corporate initiatives (Office of the Executive Director (OED))
<b>Information technology functional audits</b>	
1	WFP Headquarters local area network (Operations and Services Branch (OMIS))
2	Standardization of critical IT processes (Bangladesh, Cambodia, Nepal, Sri Lanka)
3	WFP data centre (Phase 1) (OMIS)
4	WINGS landscape in WFP (Development and Business Relations Branch (OMIA))
<b>Desk reviews - Continuous auditing and monitoring analysis</b>	
	<b>Desk reviews of financial and operations management processes of WFP offices in:</b>
1	Philippines
2	Nicaragua
3	Ghana
4	Lao People's Democratic Republic
5	Copenhagen
6	Paris
7	Japan
8	London
9	Berlin



## ANNEX II

## COMPLAINTS AND CASES

	2007		2008	
	Complaints	Cases	Complaints	Cases
Harassment/sexual harassment/abuse of power	33	9	31	6
Sexual exploitation	5	2	4	3
Conflict of interest/bribery	5	2	6	3
Food diversion	24	13	29	12
Fraud	9	8	21	10
Financial fraud	1	1	5	1
Procurement fraud	15	5	9	3
Entitlement fraud	9	6	8	3
Theft	19	13	12	4
ICT	12	2	3	2
Mismanagement	1	0	4	0
Miscellaneous	19	3	14	2
Retaliation/whistleblower	3	1	0	0
Consultation/information	25	0	14	0
Referrals			14	0
<b>TOTAL</b>	<b>180</b>	<b>65</b>	<b>174</b>	<b>49</b>

## ACRONYMS USED IN THE DOCUMENT

CEB	United Nations System Chief Executives Board for Coordination
COBIT	Control Objectives for Information and related Technology
COMPAS	Commodity Movement Processing and Analysis System
DRC	Democratic Republic of the Congo
ECHO	European Commission Humanitarian Aid Department
FAO	Food and Agriculture Organization of the United Nations
GAO	United States Government Accountability Office
HSHAP	harassment, sexual harassment and abuse of power
ICT	information and communications technology
IDB	Inter-American Development Bank
IDP	internally displaced person
IIA	Institute of Internal Auditors
IPSAS	International Public Sector Accounting Standards
IS	information system
IT	information technology
JPO	Junior professional officer
NGO	non-governmental organization
OLAF	European Commission Anti-Fraud Office
OSD	Inspector General and Oversight Services Division
OSDA	Office of Internal Audit
OSDI	Office of Inspections and Investigations
RIAS	Representative of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions
UNCAC	United Nations Convention against Corruption
UNDG	United Nations Development Group
WINGS	WFP Information Network and Global System