RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

REPORT OF THE INSPECTOR GENERAL

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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.

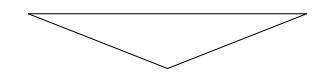|		
Inspector General and Director, Oversight Office:	Mr S. Sharma	tel.: 066513-2700

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

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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 ninth report of the Inspector General and covers the period from January to December 2009.

This document:

➢ presents an overview of the Oversight Office, its core strategy, the standards it operates under, resource availability, activities and quality assurance framework;

➢ gives an overview of oversight activities with key observations from audits, inspections and investigations, and other advisory activities, and reports on trends;

➢ reports losses of US$1,349,724 identified in 2009 and total recoveries in 2009 of US$84,007;

➢ describes cooperation with other oversight bodies; and

➢ previews work for 2010.

DRAFT DECISION[*]

The Board takes note of "Report of the Inspector General" (WFP/EB.A/2010/6-I/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 Office (OS) is to provide assurance to the Executive Director on governance, policy, risk, resources, operational and accountability issues through independent and objective oversight services; and to facilitate WFP's adoption and implementation of best United Nations and private-sector practices to enable managers to provide assurance on their work to the Executive Director.

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 OS Charter in 2005, which was shared with the Board as an annex to the Inspector General's Report for 2004–2005.[1] In accordance with amendments to the WFP General Regulations, reports of the Inspector General to the Board are presented on an annual basis. This is the ninth report of the Inspector General and covers the year 2009.

3. OS carries out its audit function in compliance with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (IIA), and its investigations function in conformity with the Uniform Standards for Investigations.

4. The current report of the Inspector General is presented in four main sections. First, it reviews the context in terms of objectives and functions of the Oversight Office. Second, it gives an overview of the oversight activities on audits, inspections/investigations and other advisory services together with the main observations from these activities. Third, it summarizes the assurance opinion for 2009, and finally, it gives a brief overview of the activities foreseen for 2010.

CONTEXT

Objective and Strategies

5. The WFP Executive Board approved a Strategic Plan in October 2008,[2] which contained five Strategic Objectives. To support these Strategic Objectives, OS has established these three oversight objectives:

    1. Provide assurance to the Executive Director on good governance and accountability towards achieving WFP's objectives through independent oversight services.

    2. Enable managers to provide their own assurance to the Executive Director regarding resources and responsibilities assigned to them by providing them with advice on strategies, policies, and procedures, as well as tools with which they can assess their systems and work.

    3. Make WFP one of the leading agencies within the United Nations on oversight and governance issues by identifying emerging trends, developing innovative practices, achieving and communicating transparency, and facilitating knowledge transfer.

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[1] WFP/EB.A/2006/6-F/1, paragraph 39

[2] WFP Strategic Plan (2008–2011) was extended until 2013 as per Board decision 2009/EB.A/3.

Functions

6. OS provides internal audit, inspections, investigations and other advisory services to strengthen the functioning of WFP.

7. Taking into consideration the results of oversight work and the effects of significant changes in WFP's systems, OS provides assurance to the Executive Director on governance, policy, risk, resources, operational and accountability issues.

8. OS uses risk-based audit planning methodology to identify the processes and functions put in place to manage the risks identified in achieving high-level corporate objectives. It is the processes and functions that can be audited, together with the entities and locations in which they are implemented.

9. An audit report categorizes the audited entity as "satisfactory", "partially satisfactory" or "unsatisfactory", based on a harmonized audit ratings system adopted by United Nations funds and programmes. "Satisfactory" is used when internal controls, governance and risk management processes were adequately established and functioning well, and no issues were identified that would significantly affect the achievement of the objectives of the audited entity. "Partially satisfactory" is used when internal controls, governance and risk management processes were generally established and functioning, but needed improvement, and one or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. "Unsatisfactory" is used when internal controls, governance and risk management processes were either not established or not functioning well, and the issues identified were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

10. Internal audit quality assurance is guided and supported by external reviews. The Office of Internal Audit (OSA) will undertake a self-assessment in 2010, in preparation for the next external review, planned for 2011. The previous external review was carried out by IIA in 2006. This review found OS to "generally conform" to IIA standards and made 13 recommendations for improvements, of which 11 have been implemented.

11. OS provided advisory services 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. All requests were assessed for risk before undertaking a review.

12. Under the umbrella of inspection and investigation, in 2009 most resources were assigned to investigations, with only one inspection conducted. All complaints received by OS are reviewed and evaluated; if appropriate, a complaint is investigated. Investigations were undertaken following a triaging process based on the risks posed to WFP by the reported event. This triaging guides the allocation of investigation resources and prioritization of the cases. The current triaging process considers an allegation as "high risk" if it involves an allegation against a senior staff member (P5 and above), sexual exploitation or abuse, substantial loss, risk to the image or reputation of the organization or risk to operations; or if it is a complaint of retaliation under the whistleblower protection policy. An allegation is considered "medium risk" if it is related to harassment, sexual harassment and abuse of power (HSHAP), involves risk of further loss (of cash or assets) or damage to evidence, or is an allegation against an international non-senior staff member. Allegations outside these criteria are considered "low risk".

13. Quality assurance of the investigation function is guided and supported by a robust internal quality assurance process and external reviews. OS engaged a consultant to update the investigations quality assurance manual and incorporate the recommendations made by the peer review conducted in 2008 by the European Commission Anti-Fraud Office and the Inter-American Development Bank.

Resource Allocation and Staffing

14. Budget allocation to OS increased from US$9.1 million in 2006–2007 to US$11.6 in 2008–2009, as shown in Table 1.

TABLE 1: OVERSIGHT OFFICE BUDGET *(US$ thousands)*		
	2006–2007	**2008–2009**
Budget allocation	9 109	11 652
Actual expenditures	9 706	9 598

15. Staff resources increased from 28 positions in 2008 to 31 in 2009, under the Programme Support and Administrative (PSA) funding for OS.

TABLE 2: OVERSIGHT OFFICE STAFFING *(Number of positions)*				
	2006	**2007**	**2008**	**2009**
Professional staff	16	20	20	23
General service staff	8	10	8	8
Total staff	**24**	**30**	**28**	**31***

*Actual availability was 23 full time equivalent staff against budget allocation of 31.

16. OS had high staff turnover in 2009, with seven professional staff leaving the office and seven new staff being hired. Three of the new staff were reassigned from other divisions within WFP, two were previously working as consultants in WFP and two were hired from outside the United Nations. This turnover had a negative impact on the personnel resources available for the oversight function because of inevitable time gaps between departing and arriving staff, as well as the learning curve for new staff. At the end of 2009, the recruitment process for five vacant professional positions was nearing completion.

Coordination, Liaison and Outreach

17. OS maintains communication with all relevant divisions in Headquarters and in particular the Ombudsman, the Staff Relations Branch, the Ethics Office and the Legal Office. OS collaborates with the Office of Evaluation by sharing its work plan, and briefing it on the relevant results of its work.

18. OS interacts regularly with the WFP Audit Committee through briefings. OS shares and discusses with the Audit Committee the annual work plan and quarterly reports.

19. OS shares its audit strategy and work plan with WFP's External Auditor, currently the National Audit Office (NAO) of the United Kingdom. This approach resulted in tangible

benefits, such as a more comprehensive and wider audit coverage of country offices, and the audit of the nine-month financial statement.

20.   OS is a participant in the working group of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (RIAS). In 2009, OS participated in the RIAS Annual Meeting and made a presentation on the role of internal audit services in implementation of International Public Sector Accounting Standards (IPSAS). OS also proposed and led the re-development of a harmonized audit report rating system, which was adopted by five United Nations funds and programmes.

21.   OS participated in the United Nations Task Force on Protection from Sexual Exploitation and Abuse in Humanitarian Crises and in the WFP HSHAP Implementation Working Group meetings.

22.   The Inspector General and Director of OS participates as an observer on the Investment Committee, the Staffing Committee, the IPSAS Board, the WFP Information Network and Global System II (WINGS II) Steering Committee and the Policy Committee. He attends the meetings of the Food and Agriculture Organization of the United Nations (FAO) Finance Committee and the Advisory Committee on Administrative and Budgetary Questions (ACABQ). In 2009, the Inspector General also attended an Open-Ended Workshop on International Cooperation between Public International Organizations and States Parties, which was recommended by the Conference of the States Parties to the United Nations Convention against Corruption.

OVERVIEW OF OVERSIGHT ACTIVITIES AND OBSERVATIONS

Summary of Main Activities

23.   Table 3 shows the oversight activities undertaken over the past five years. The audit missions undertaken in 2009 and the audit reports issued in 2009 are listed in Annex I.

TABLE 3: OVERSIGHT OFFICE ACTIVITIES							
	Internal Audit					Investigation	Inspections
Year	No. of reports issued	Missions			Desk reviews	Advisory services	Number of cases	Number of cases
		Field	HQ	IT				
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**	45	15	8	4	9	55	49	1
2009	20	11	4	7	0	36	64	1

Note: "HQ" is Headquarters; "IT" is information technology (processes).
* 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.

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24.   In 2009, OS led various activities to improve the transparency of WFP. A draft information disclosure policy was prepared and is being internally reviewed. A draft anti-fraud and corruption policy is being finalized with input from other divisions.

Internal Audit

25.   Internal audit work covered 125 processes in 20 audits (reports), of which 3 were rated satisfactory, 15 partially satisfactory and 2 unsatisfactory. Table 4 shows the audit observations by level of risk severity for 2009, compared to 2008.

TABLE 4: AUDIT PROCESSES AND OBSERVATIONS						
Processes	**2008**			**2009**		
	Processes covered	**Observations**		**Processes covered**	**Observations**	
		High risk	**Medium risk**		**High risk**	**Medium risk**
Governance	19	3	23	10	3	12
Risk management	12	0	20	8	0	9
Financial management and reporting	36	5	65	27	0	31
Operations and programme management	84	8	247	48	1	82
Support services	31	1	44	20	0	18
Resource mobilization	3	4	5	2	1	8
IT processes	20	13	63	10	0	15
Total	**205**	**34**	**467**	**125**	**5**	**175**

In addition, 152 "low-risk" or "merits attention" issues were raised in 2009.

26.   Internal audit covered fewer processes in 2009 compared to 2008, owing to: i) fewer audits reports issued; ii) the discontinuation of desk reviews; and iii) a more focussed selection of processes within the audits undertaken. Five observations resulting from the 2009 audit reports, or 2 percent of the observations, were rated as high risk; 175 observations, or 53 percent, were rated as medium risk. High-risk observations in 2009 were concentrated in the area of governance, while in the 2008 reports several high-risk observations had emerged in the area of IT, mainly as a result of OSA's intensified focus on IT processes. The processes audited, and the main strengths and weaknesses by process, are summarized in the following section.

⇒ *Governance*

27.   OSA looked at the governance in both Headquarters and country offices related to the establishment and closure of (sub)offices, the establishment and implementation of operational and Strategic Objectives, the delegation of authority and compliance with results-based management. The governance process was reviewed as part of seven field audits and two Headquarters audits, in addition to a report devoted to governance processes: the management of corporate change initiatives in WFP and the United Nations reform process.

28. **Strengths**: The main strength observed in the governance process related to the establishment of local committees such as the food procurement committee and the transport committee, which were properly set up; senior management meetings that were regularly held and documented; and well-documented and well-defined reporting structures.

29. **Weaknesses:** Some of the weaknesses observed related to performance measurement, which is not being systematically carried out and reported. WFP was not able to systematically and adequately determine and measure whether strategic and operational objectives are achieved, because of the absence of a performance management information system to support WFP performance and reporting. Gaps were also noted in the governance structure for managing the treasury function, but the structure has subsequently been improved.

⇒ *Risk management*

30. OSA looked at the process of identifying, prioritizing, managing, monitoring and reporting of risks. The risk management process was reviewed as part of six field audits and two Headquarters audits.

31. **Strengths**: The main strengths observed were risk assessment and the establishment of a risk register in some of the country offices audited.

32. **Weaknesses:** The main weakness was that enterprise risk management has not been fully implemented throughout WFP. Thus the risks identified in the country offices are not systematically consolidated at a corporate level to produce a corporate risk profile or corporate risk mitigation plan.

⇒ *Financial management*

33. OSA reviewed the management of accounting, financial reporting, treasury, and budget and costs. The main areas included the recording, review, reconciling and clearing of transactions; the management of contributions and master data; financial and donor reporting; management of bank accounts, petty cash, payments and receipts; forecasting and advance funding mechanisms; and the establishment, management and monitoring of budget and costs. Specific audits (reports issued) were undertaken of accounts payable, treasury management and WFP's financial statements for the nine-month period ending 30 September 2008. Further, a review for the period of no-automated-systems-available and WINGS II migration strategy was undertaken; and the financial management process was reviewed as part of ten field audits and two Headquarters audits.

34. **Strengths**: The main strengths observed concerned IPSAS and WINGS II. WFP was the first and currently is the only United Nations agency to have adopted and implemented IPSAS, and received an unqualified opinion from WFP's External Auditor (NAO). IPSAS compliance provides greater transparency, and improves financial management and the quality of information in WFP. WINGS II was successfully rolled out in July 2009 in Headquarters and field offices, making WFP one of the first United Nations agencies to implement second-generation enterprise resource planning, which provides greater assurance on the accuracy of financial information. WINGS II introduced industry-standard information systems that are much less customized than the previous version, enabling further automation of certain processes which facilitated IPSAS compliance, as well as easier and faster future upgrades in response to WFP's evolving needs. The system also enabled the re-design of WFP's business processes to address needs not fully met by the previous WINGS system.

35. **Weaknesses:** Main issues noted were in the cash-management control processes and the need to strengthen the focus of the Investment Committee; there were improvements in both during 2009. Furthermore, there were long-outstanding recoveries of value added tax from various host governments.

⇒ *Operations and programme management*

36. OSA reviewed project approval, design, implementation, project monitoring and evaluation of projects. Included under this process, which was reviewed as part of nine field audits, were the areas of emergency preparedness and response; inland, overland, air and ocean transport; fleet management; food and non-food procurement; and commodity management. Table 5 shows the number of audits of the various subprocesses together with the high- and medium-risk observations made.

TABLE 5: OPERATIONS AND PROGRAMME MANAGEMENT: AUDITS AND OBSERVATIONS ON SUBPROCESSES			
Area	No of audits	High-risk observations	Medium-risk observations
Project management	9	0	22
Project monitoring and evaluation	8	0	7
Emergency preparedness and response	3	0	4
Transport and logistics	9	1	19
Food procurement	8	0	3
Non-food procurement	6	0	9
Commodity management	9	0	18
Total	**9**	**1**	**82**

In addition, 66 "low-risk" or "merit attention" issues were raised.

37. **Strengths:** The main strengths observed were that WFP leads the logistics cluster and provides rapid response in the case of emergencies, while several country offices embraced the implementation of innovative activities such as Purchase for Progress and cash and voucher projects.

38. **Weaknesses:** Operating environments that include difficult security situations and/or relations with the host government impose major implementation challenges to WFP operations, which are not addressed in an adequate and flexible way by the Programme. Further, the inadequate capacity of some cooperating partners poses a problem in placing reliance on their distribution and reporting capabilities. A better selection process and enhanced capacity-building should be undertaken to address this issue. In addition, lapses and anomalies in financial and commodity management processes and commodity information systems were noted. Similarly, a lack of transparency in contracting, vendor short-listing and determination of transport tariffs was noted. The management of vendors was often found to be weak.

⇒ *Support services*

39. OSA audited the areas of human resources management, asset management, security and travel services, which were reviewed as part of nine field audits. Table 6 shows the number of audits of the various subprocesses together with the high- and medium-risk observations made.

TABLE 6: SUPPORT SERVICES: AUDITS AND OBSERVATIONS ON SUBPROCESSES			
Area	No. of audits	High-risk observations	Medium-risk observations
Manage human resources administration	6	0	9
Manage assets	6	0	9
Security	1	0	0
Travel services	1	0	0
Total	**9**	**0**	**18**

Additionally, 21 low-risk issues were raised.

40. **Strengths:** In some of the audited country offices, good asset management control was noted.

41. **Weaknesses:** One of the main weaknesses related to data integrity problems with WFP's fixed-assets recording database, AMD, for which improvements were noted at the end of 2009.

⇒ *Mobilize resources*

42. Under the resource mobilization process, the strategies for fundraising and for partnerships with other United Nations agencies, NGOs, government counterparts, and public and media relations are reviewed. One dedicated audit on fundraising activities was undertaken on the resource mobilization process, and the process was included in one field audit.

43. **Strengths:** Strengths noted were the development of a clear mission statement and a strategy for mobilizing funds by some offices.

44. **Weaknesses:** The main weakness in the resource mobilization process related to lack of available resourcing for the implementation of programme activities, which was not adequately addressed. Possible strategies could include the development of scalable budgets and contingency plans for each programme.

⇒ *Information technology processes*

45. IT processes are divided into subprocesses based on the best practices framework for IT management and Control Objectives for Information and related Technology (COBIT), created by the Information Systems Audit and Control Association (ISACA). The four main domains are: i) plan and organize; ii) acquire and implement; iii) deliver and support; and iv) monitor and evaluate. Four corporate IT audits were undertaken.

46. **Strengths:** Strong controls were found to be present over the information and communications technology (ICT) emergency preparedness and response operations, and there was a sound approach toward the fulfillment of ICT emergency preparedness and response cluster responsibilities.

47. **Weaknesses:** An audit of WINGS II pre-implementation identified various issues, which management agreed to address prior to the roll-out of WINGS II. Furthermore, while the WFP Data Centre was outsourced to the United Nations International Computing Centre (ICC) to transfer processes and their associated risks, there was inadequate assurance about the adequacy of ICC's security and configuration controls.

⇒ *Implementation of audit recommendations*

48.   During 2009, 5 high-risk, 175 medium-risk and 152 low-risk issues were raised. In past years, a high number of audit recommendations remained outstanding for extended periods. During 2009, OS enhanced its efforts to follow up on outstanding recommendations and allocated dedicated staff resources to clarify and consolidate many recommendations. Further, cooperation between management and OS to resolve outstanding recommendations, and events such as the roll-out of WINGS II and IPSAS, which addressed several recommendations, resulted in a significant decrease in outstanding audit recommendations and outstanding high-risk recommendations during 2009. The following table shows the number of high- and medium-risk audit recommendations outstanding at the beginning of 2009, recommendations raised and implemented in 2009, and outstanding recommendations at the end of the year.

TABLE 7: STATUS OF AUDIT RECOMMENDATIONS						
	Prior audits		2009 reports		Total	
Risk rating	High	Medium	High	Medium	High	Medium
Outstanding at 01/01/2009	43	730	0	0	43	730
Issued in 2009	0	0	5	175	5	175
Total	**43**	**730**	**5**	**175**	**48**	**905**
Implemented in 2009	27	321	1	13	28	334
Outstanding at 31/12/2009	16	409	4	162	20	571

In addition, 152 low-risk recommendations were issued in 2009.

49.   As part of its work to strengthen control and accountability, management is starting a process to regularly analyse all outstanding internal audit recommendations, including actions to ensure that managers use effectively the software for tracking the follow-up of audit recommendations. This process will help identify issues that require a corporate focus or where there is a need to raise managers' awareness about the importance of internal control activities.

⇒ *Advisory services*

50.   OSA undertook a review of 36 of the 43 requests it received for advisory services, using a risk-based screening process. These requests dealt with new policies and guidelines, other United Nations agencies, donor relationships and other categories**.** The major assignments accepted were the preparation of the Japan International Agricultural Council (JIAC) loan amortization schedule and related accounting entries under IPSAS, support to the appointment and selection of WFP's External Auditor, preparation of WFP response to the Joint Inspection Unit's questionnaire on oversight, and review of the human resources e-learning course for new country directors.

Inspections

51. An inspection is an oversight tool that provides the Executive Director and senior managers with objective information about field offices and units at 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 the regulations, rules and policies of the Programme and with the decisions of the Executive Board; ii) facilitate accountability and ensure the presence of effective monitoring systems; iii) recommend actions to promote effectiveness, efficiency and integrity; and iv) detect and prevent waste, abuse, malfeasance, and acts of misconduct and fraud.

52. One inspection of a country office was conducted after concerns were raised about travel irregularities involving a senior staff member. The inspection reviewed the country office's administrative processes and made eight recommendations for improving the control environment. Subsequently, an investigation was undertaken that substantiated the allegations.

Investigations

53. An investigation is a legally based and analytical process designed to gather information in order to determine whether a wrongdoing has 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.

54. The aims of an investigation are to: i) assess the extent of any loss or damage to WFP; ii) determine responsibility for any loss or damage; iii) 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.

55. Table 8 shows the number of complaints received and those converted into cases in 2009 as compared to 2008.

TABLE 8: INVESTIGATIONS: COMPLAINTS AND CASES				
Category	2008		2009	
	Complaints	Cases	Complaints	Cases
Harassment/sexual harassment/abuse of power	31	6	13	9
Sexual exploitation	4	3	2	0
Food diversion	29	12	27	20
Fraud and theft	55	21	23	20
ICT related	3	2	7	3
Miscellaneous	24	5	18	12
Referrals, consultation/information	28	0	18	0
Total	**174**	**49**	**108**	**64**

56. The number of complaints decreased from 174 in 2008 to 108 in 2009. However, the severity of the complaints increased, as more complaints had to be converted to investigations in 2009 (64, or 59 percent of the complaints) compared to 2008 (49, or 28 percent of the complaints).

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57. In examining the complaint data, food diversion complaints remained at similar levels, ICT-related complaints increased, while complaints of harassment, sexual harassment and abuse of power decreased from 31 in 2008 to 13 in 2009, which could be because many such complaints were resolved through informal channels such as the staff counsellor, the Office of the Ombudsman and the Ethics Office.

58. The total loss from cases investigated in 2009 was US$1,349,724, as compared to US$853,098 in 2008, and total recovery in 2009 was US$84,007.

59. In order to ensure that all fraud and other wrongdoing be reported to OS, an Inspector General's Bulletin was issued to all WFP staff on 2 December 2009 to remind staff members that they have a responsibility to report any fraud or wrongdoing and that country directors and Regional Directors have an added responsibility to report such wrongdoing and any related investigations undertaken locally.

60. In June OS participated in the 10th Conference of International Investigators, which comprises United Nations Organizations and multilateral institutions. During the year, OS also was a member of a working group that facilitated revision of the Uniform Guidelines for Investigations.

61. In 2008, the General Assembly approved a comprehensive reform of the United Nations system of administration of justice. This reform has implications for the administration of investigations, disciplinary processes, grievances and appeals system for WFP field-based national staff on fixed-term contracts; the reforms include the establishment of a two-week limit to review complaints and a six-month limit to complete investigations. OS reviewed and commented on the proposed WFP Disciplinary Framework in relation to the new system of administration of justice, which was introduced on 1 July 2009. OS received additional resources to meet the new time limits and, on 1 January 2010 received funding for three additional professional positions and one general service position.

62. Some major investigations conducted during 2009 are described below.

⇒ *Retaliation in violation of the WFP Whistleblower Protection Policy*

63. A WFP staff member submitted a complaint involving his/her managers under the whistleblower protection policy for alleged retaliation for reporting and cooperating with an OS investigation. Upon investigation, OS found that the complainant had indeed suffered retaliation. It recommended administrative/disciplinary action against the senior staff members involved, and the aggrieved staff member was granted corrective action.

64. OS also recommended that a detailed review of the current procedures and practices of the Staffing Committee be undertaken to ensure that it is operating in a consistent and transparent manner and that it is fair to all staff members subjected to its decisions.

⇒ *Harassment, Sexual Harassment and Abuse of Power and unsatisfactory conduct*

65. Two staff members were found to have violated provisions of the WFP transport manual when they ordered the distribution of damaged and expired food items before sending samples to an independent laboratory to determine if they were fit for human consumption. The staff members admitted that they had directed subordinates to remove expiration dates from the food items before they were distributed. In addition, they did not follow the proper invoice processing procedures and they violated the provision of the policy on harassment, sexual harassment and abuse of power (HSHAP).

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66.   OS recommended administrative/disciplinary action against the two staff members and that action be taken on the various control weaknesses identified. OS also recommended the issuance of a letter of reprimand to the country director for his/her failure to comply with his/her oversight functions.

⇒ *Investigations involving senior staff (P5 and above)*

67.   A senior staff member was investigated for entitlement fraud, and OS recommended administrative/disciplinary action against the staff member. A second senior staff member was investigated for conflict of interest, exceeding his authority, and failing to comply with WFP policy in hiring practices. OS recommended administrative/disciplinary action against the staff member.

⇒ *Food diversion cases*

68.   The major food diversion case in 2009 involved 1,600 mt of food, with a value of US$825,000, being diverted from a port by eight WFP staff members together with staff from the clearing and forwarding (C&F) agent and the superintendent. The diversions had been going on since at least 2004. The eight WFP staff members involved in the diversion were suspended, and administrative/disciplinary action was recommended against them.

69.   OS analysis revealed that the level of short-landed food in this port was higher than that in other countries in the region. Moreover, once the diversion was discovered and the staff suspended, the amount of short-landed food dropped to zero. OS recommended that the relevant Headquarters units jointly develop and implement a corporate control mechanism that would allow proper monitoring of short-landed food reported by country offices and that they develop a procedure for investigating abnormal levels of short-landed losses.

70.   Another case involving a port concerned the theft of nine containers holding 184 mt of WFP food, valued at US$190,000. A WFP forklift operator admitted to receiving a bribe from an individual working for a C&F agent to divert two containers. A staff member working for the United Nations mission also admitted to receiving a bribe from the same individual to transport one container.

71.   A WFP staff member was found to be grossly negligent in allowing the individual who worked for the C&F agent to collect the WFP containers from the port, even though this was exclusively the WFP staff member's responsibility. There was no procedure in place to document the containers' transferral from the National Port Authority to WFP. Thus, OS recommended that the country office adopt such a procedure and follow up with the National Port Authority on reimbursement of the losses incurred.

72.   OS investigated several allegations made in the media regarding the Somalia operations. The investigation did not find any evidence of wrongdoing, but the following issues were noted:

➢   Numbers of beneficiaries in camps were different (higher and lower) than the numbers given in the distribution plan.

➢   Some food supplied by WFP was found to be sold in the local markets. The only source of this food identified by the investigation were the beneficiaries themselves, who were selling part of their food rations to buy sugar and tea.

➢   Some beneficiaries did not receive their full ration entitlements, which could be because community elders may have redistributed rations between registered and non-registered internally displaced persons (IDPs).

> ➢ Transporters sometimes offloaded only partial loads, with the remaining load delivered to another food distribution point; this is a customary distribution method.

> ➢ Internal and external factors such as access limitations, outdated beneficiary lists, pipeline breaks and the postponement of distributions during the harvest season may have prevented some IDPs from receiving WFP food assistance.

73. In addition, the following control weaknesses were noted. Improvement is needed in beneficiary needs assessment, particularly in determining the number and location of IDP beneficiaries, and in monitoring food distribution by CPs. In addition, the country office did not fully comply with the transport manual in some areas. The tariff system used by the country office to contract transporters could be made more transparent; a recommendation for enhancing the manual was therefore raised. Furthermore, WFP staff did not have access to all the transporters' warehouses, and therefore regular physical stock counts could not be performed. Finally, the country office could have been more proactive in sharing relevant information with United Nations partners and in promoting understanding among United Nations agencies. The investigation made several recommendations for addressing the noted control weaknesses.

74. Another allegation of food diversion was brought to the attention of OS after a truck transporting 48 mt of WFP food was seized at a border crossing. OS investigated and made recommendations for the country office to conduct regular physical counts, track food movements, obtain explanation from the CPs on discrepancies in stocks and take appropriate action to recover identified losses and improve the monitoring and review of beneficiary lists.

⇒ *Implementation of investigation recommendations*

75. OS raised 120 investigation recommendations during the year, of which 22 had been implemented by 31 December 2009. Because 55 percent of the 2009 recommendations were made in reports issued in the last quarter of 2009, implementation of many recommendations will take place in 2010. OS continues to follow up on implementation of the remaining recommendations. Details on the status of investigation recommendations are provided in Table 9.

TABLE 9: STATUS OF INVESTIGATION RECOMMENDATIONS			
	2008	**2009**	**Total**
Recommendations made	114	120	234
Implemented up to 31/12/2009	92	22	114
Outstanding at 31/12/2009	**22**	**98**	**120**

76. Some of the recommendations in the table relate to disciplinary cases. It is worth noting that regarding the investigation cases opened since 1 January 2008 for which disciplinary action was taken, it took an average of 125 days for OS to conclude the investigations and an average of 155 days for disciplinary action to be taken.

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ASSURANCE

77. OS's work in 2009 did not disclose any significant weaknesses in the risk management, control and governance processes in place across WFP that would have a pervasive effect on the achievement of WFP objectives. Accordingly, in 2009 OS submitted an opinion to the Executive Director that the risk management, control and governance processes in place provide a **moderate assurance** (meaning that a sufficient framework of key controls exists for objectives to be achieved, but the controls framework could be stronger) of accomplishing WFP objectives in accordance with the Programme's Rules and Regulations.

PREVIEW OF 2010

78. OS will continue to strengthen its internal audit, inspection and investigation activities and processes, and to support various WFP governance improvement initiatives in 2010. The OS budget for 2010 increased to US$6,924,119 (a 9 percent increase) and six additional posts were created, as specified below.

79. In order to strengthen the inspections function, two new dedicated posts for inspections officers were approved. One post has been filled; the other is currently under recruitment.

80. For investigations, three additional professional positions and one general service staff position were approved and funded from funds earmarked for implementing the United Nations reform of Internal Justice starting in 2010. The general service staff position has been filled; recruitment for the three professional posts is underway.

81. OSA will undertake a self-assessment in preparation for the quality assurance review foreseen for 2011. OSA plans to undertake 6 audits of business processes and 3 best practice audits at Headquarters, 20 audits of business processes at field offices, and 3 audits of IT processes.

ANNEX I

2009 AUDITS AND AUDIT REPORTS		
Field audits (functional audits)	**Audit year**	**Report year**
1 WFP operations in the Sudan (Darfur)	2008	2009
2 WFP operations in the Democratic Republic of the Congo	2008	2009
3 Desk review of Lao People's Democratic Republic	2008	2009
4 Desk review of liaison offices	2008	2009
5 WFP response to cyclone Nargis (Myanmar emergency operation)	2009	2009
6 WFP operations in Kenya	2009	2009
7 WFP operations in Nepal	2009	2009
8 WFP operations in Zimbabwe	2009	2009
9 WFP operations in the Democratic People's Republic of Korea	2009	2009
10 WFP operations in the Occupied Palestinian Territory	2009	2009
11 WFP operations in Chad	2009	
12 WFP operations in Somalia	2009	
13 WFP operations in Malawi	2009	
14 WFP operations in Mozambique	2009	
15 WFP operations in the Sudan (Southern Sudan)	2009	
Headquarters (functional audits)		
16 WFP fundraising activities	2008	2009
17 Review of management change initiatives and changes resulting from United Nations reform	2008	2009
18 Treasury management	2008	2009
19 Review of WFP financial statements for the nine-month period ended 30 September 2008	2008	2009
20 Accounts payable	2009	2009
21 Food procurement	2009	
22 Limited review of interim financial statements as per 30 September 2009	2009	
Headquarters (best-practice audits)		
23 Expenditures of the Office of the Executive Director	2009	2009
Information technology (functional audits)		
24 PABX billing system	2009	2009
25 Availability of WFP Data Centre/phase 2	2009	2009
26 WINGS II realization and testing phase	2009	2009
27 Planning and organization (COBIT framework implementation)	2009	
28 Delivery and support, and monitoring and evaluation (Ghana)	2009	
29 Delivery and support, and monitoring and evaluation (Mali)	2009	
Information technology (performance audits)		
30 ICT emergency preparedness and response	2009	2009

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ANNEX II

COMPLAINTS AND CASES				
Category	**2008**		**2009**	
	Complaints	**Cases**	**Complaints**	**Cases**
Harassment/sexual harassment/abuse of power	31	6	13	9
Sexual exploitation	4	3	2	0
Conflict of interest/bribery	6	3	0	1
Food diversion	29	12	27	20
Fraud	21	10	7	5
Financial fraud	5	1	4	4
Procurement fraud	9	3	5	5
Entitlement fraud	8	3	2	2
Theft	12	4	5	4
ICT	3	2	7	3
Mismanagement	4	0	1	1
Miscellaneous	14	2	16	9
Retaliation/whistleblower	0	0	1	1
Consultation/information	14	0	10	0
Referrals	14	0	8	0
TOTAL	**174**	**49**	**108**	**64**

ACRONYMS USED IN THE DOCUMENT

ACABQ	Advisory Committee on Administrative and Budgetary Questions
AMD	asset management database
C&F	clearing and forwarding
COBIT	Control Objectives for Information and related Technology
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	cooperating partner
EPR	enterprise preparedness and response
ERP	enterprise resource planning
FDP	final delivery point
HSHAP	harassment, sexual harassment and abuse of power
ICT	information and communications technology
IDP	internally displaced person
IIA	Institute of Internal Auditors
IPSAS	International Public Sector Accounting Standards
ISACA	Information Systems Audit and Control Association
ICC	International Computing Centre
IT	information technology
JIAC	Japan International Agricultural Council
MOSS	minimum operating security standards
NAO	National Audit Office (United Kingdom)
NGO	non-governmental organization
OS	Inspector General and Oversight Office
OSA	Office of Internal Audit
OSI	Office of Inspections and Investigations
PSA	Programme Support and Administrative
RIAS	Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions
WINGS II	WFP Information Network and Global System II

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