

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Annual Session**

Rome, 9–12 June 2008

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

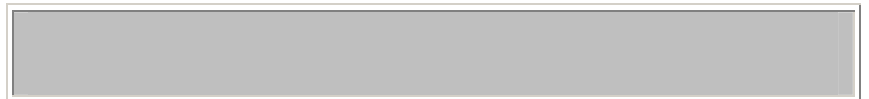
Agenda item 6

For consideration



Distribution: GENERAL
WFP/EB.A/2008/6-F/1
13 May 2008
ORIGINAL: ENGLISH

REPORT OF THE INSPECTOR GENERAL



This document is printed in a limited number of copies. Executive Board documents are available on WFP's website (<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, Oversight Services Division: Mr A. Khan tel.: 066513-2029

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).



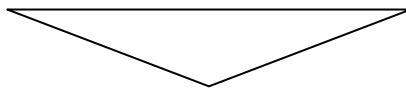
EXECUTIVE SUMMARY

In accordance with Article VI (2) (b) (viii) of the WFP General Regulations, the Board is provided with a biennial report of the Inspector General for its consideration and forwarding to the United Nations Office of Internal Oversight Services, as established by Board decision EB.3/96/3. This is the seventh report of the Inspector General and covers the period from January 2006 to December 2007. In accordance with amendments to the WFP General Regulations, future reports of the Inspector General to the Board will be presented on an annual basis.

This document:

- presents an overview of the Oversight Services Division, its strategy, the standards it operates under, resource availability, activities, quality assurance and stakeholder feedback;
- summarizes audits, investigations and inspections, the challenges arising from this work and the responses of WFP management;
- reports losses of US\$1.24 million and recoveries of funds and assets of US\$856,043 during the biennium;
- reports on trends, as requested by the Board;
- provides information on follow-up to best practice initiatives;
- describes cooperation with other oversight units and host governments;
- previews work for 2008; and
- lists audits and inspections and a summary of investigations into cases of fraud and presumptive fraud conducted during the biennium.

DRAFT DECISION*



The Board takes note of “Report of the Inspector General” (WFP/EB.A/2008/6-F/1) and undertakes to forward it to the United Nations Office of Internal Oversight Services with its comments.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document (WFP/EB.A/2008/16) issued at the end of the session.



INTRODUCTION

1. The office of the Inspector General was established in 1994; its first report to the Board was issued in 1996. In 2001, all oversight functions¹ were consolidated into the Oversight Services Division (OSD) headed by the Inspector General and the Director OSD. In 2003, the evaluation function was placed under the new Results-Based Management Division (OEDR). Following the mainstreaming of results-based management in 2007, the Office of Evaluation (OEDE) is a stand-alone office. In 2005 the Executive Director approved the OSD Charter, which was shared with the Board as an annex to the Inspector General's Report for 2004–2005.²

OSD's mission 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)

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 4th Conference of International Investigators of United Nations Organisations and Multilateral Financial Institutions held in Brussels in April 2003.
2. This report, covering 2006-2007, is the seventh report by the Inspector General to the Board. In accordance with amendments to the WFP General Regulations, future reports of the Inspector General to the Board will be presented annually.

STRATEGY

3. The oversight strategy pursued during the biennium was designed to enhance WFP's risk-management, control and governance by (i) contributing to policy and institutional development, (ii) providing independent assurance through internal audits and (iii) conducting independent inspections and investigations. This included proactive measures to reduce the risk of fraud, corruption and mismanagement, robust risk assessment, client focus and management consultation. The strategy was aligned with WFP's Strategic Plan (2006–2009). Its development and execution took into account the Strategic Objectives, the Management Objectives and the risks and weaknesses identified in the Strategic Plan and the Management Plan.³ The activities were related to Management Objective 6.
4. The internal audit strategy aimed to provide annual assurance through a risk-based functional audit approach. Accordingly, on the basis of a risk assessment, processes belonging to six non-information technology (IT) functional areas were ranked by level of risk. The high-risk processes were audited annually, the medium risks in a two-year cycle and the low risks 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. The IT processes were captured in four functional areas and similarly rated for risk. These were covered through an accelerated auditing plan. Unforeseen large-scale emergencies and new initiatives were approached on the basis of early involvement in observing developments,

¹ Office of Internal Audit (OSDA), Office of Inspections and Investigations (OSDI) and OEDE

² WFP/EB.A/2006/6-F1, para 39 page 12

³ WFP/EB.A/2005/5-A



assessing the risks, conducting audits, providing feedback and following up on recommendations. The framework is designed to deliver reasonable assurance.

5. Inspections complemented the work of the internal audit and investigation functions. Field offices and sub-offices, which were unlikely to be audited in a given year or from where several complaints were received, were therefore covered by targeted inspections.
6. Investigations were undertaken following a triaging process on the basis of risks posed to WFP for the reported event.

RESOURCES

7. Allocation of resources to OSD takes place as part of WFP's normal biennial budget process, with final allocations reflected in the Management Plan. Allocation to OSD for 2006–2007 compared with previous biennia is presented in Table 1:

TABLE 1: OSD RESOURCES			
	2002–2003	2004–2005	2006–2007
PSA fund (in million US\$)	3 373	5 586	9 706
Professional staff	11	16	20
General service staff	7	8	10
Total OSD staff	18	24	30

8. Although there has been a steady increase in OSD resources over the biennia, WFP's oversight function still lags behind other United Nations entities of similar size. The Joint Inspection Unit (JIU) report *Oversight Lacunae in the United Nations System*,⁴ which compares the budgetary allocation for oversight functions in all United Nations entities as a percentage of their programmes of work, describes WFP's oversight function as "below the range".
9. OSDA had 14 professional internal auditors with degrees. Each was certified as one of the following: Chartered Accountant, Certified Internal Auditor, Certified Public Accountant, Associate Chartered Certified Accountant, Certified Information System Auditor or Computer Science Engineer.
10. OSDI consisted of five professional staff members, two of whom were lawyers. All professional staff hold degrees, and three were certified as one or more of the following: Certified Fraud Examiner, Certified Internal Auditor and Chartered Tax Adviser.
11. For staff to maintain their skills, knowledge and certifications, OSD ensured that each staff member attended external training or conferences once a year.

⁴ JIU/REP/2006/2



ACTIVITY

12. Table 2 shows the activities of OSD in comparison with the two preceding biennia. Annex I lists audits and inspections during 2006–2007.

	Internal Audit				Investigation	Inspections
	Field	Headquarters	IT	Advisory services		
2002–2003	24	9	2	185	77	6
2004–2005	62	13	1	255	150	7
2006–2007	49	10	6	159	139	7

QUALITY ASSURANCE

13. Following the 2003 external review of OSD by chartered accountants Bentley-Jennison, a quality assessment of the internal audit function was conducted in 2006 through the Institute of Internal Auditors (IIA). This found OSDA to “generally conform” (highest rating) to IIA standards and made 11 recommendations for improvements to OSDA and two to management. All the recommendations addressed to OSDA have been implemented. A 2007–2008 peer review of the investigation function by the Inter-American Development Bank and the European Commission Anti-Fraud Office (OLAF) made several strategic and operational recommendations to enhance investigation procedures and concluded: “...the reviewers are satisfied that OSDI complies with the Uniform Guidelines for Investigations”.⁵ In examining one major case investigated by OSDI, the review noted: “The reviewers concluded that OSDI was able to respond to a major matter efficiently and effectively. Further, that its investigative work could be relied upon as the basis for the disciplinary and criminal follow up.”
14. OSDA and OSDI maintain a robust internal quality-assurance process.

STAKEHOLDER PERCEPTION

15. To gauge its own performance, OSD has introduced a “balanced scorecard” approach, which enables assessment from internal, financial and stakeholder perspectives. For the stakeholder perspective, feedback surveys are used to capture the stakeholder client’s degree of satisfaction at the end of an audit or inspection. The survey consists of 20 questions covering 5 main areas of engagement, requesting that they be rated on a scale of 1 (“not at all satisfied”) to 5 (“extremely satisfied”). The average rating for OSD was 4.3, or satisfied. Table 3 below gives the ratings across main areas. OSD uses the survey results to identify and implement measures that add value and thereby continually improve its service delivery.

⁵ *Uniform Guidelines for Investigations*, adopted by the 4th Conference of International Investigators, 2003



TABLE 3: 2006–2007 OSD CUSTOMER SATISFACTION SURVEY REPORT				
	Audit	Inspection	Investigation	Average
Scope	4.05	4.4	3.9	4.1
Process	3.95	4.4	N/A	4.2
Communication	4.15	4.9	5	4.7
Reporting of findings and recommendations	3.7	4.5	N/A	4.1
Staff	4.2	4.9	4.2	4.4
Average	4.01	4.6	4.4	4.3
Rating system (1–5): 1: Not at all satisfied 2: Not satisfied 3: Somewhat satisfied 4: Satisfied 5: Extremely satisfied				

OVERVIEW OF OVERSIGHT RESULTS

16. 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.
17. Taking into account (i) improvements in normative guidance, (ii) enhancements in emergency-response capabilities, (iii) improved procurement processes, financial management and the electronic payment system (EPS), (iv) the establishment of a system to ensure protection from retaliation for "whistleblowers" and (v) the evaluation of the control processes in place through the completion of audit work during the biennium, the internal audit function concluded that WFP was a medium-risk organization with moderate assurance of achieving its objectives in accordance with its policies, rules and regulations. In this respect, it was noted that WFP (i) worked in highly insecure and unstable environments, with risks to staff safety that limited its ability to monitor activities, (ii) was subject to inadequate reporting by cooperating partners, (iii) was implementing major and complex changes such as the New Business Model, International Public Sector Accounting Standards (IPSAS) and the WFP Information Network and Global System (WINGS) II, (iv) was subject to persistent challenges in emergency response (v) faced issues associated with resource mobilization and (vi) has no formally adopted internal control framework.
18. Internal audit made 1,597 audit recommendations on IT and non-IT processes during 2006–2007. The highest number of audit issues during the year concerned the functional area of operations and programme management, which also attracted the highest number of high-risk issues, followed by the functional areas of financial management and reporting, and support services (see Annex II). During 2006-2007, 966 recommendations were due for implementation, of which 690 (71 percent) were reported as implemented by the offices responsible. OSD continues to pursue the remaining recommendations.
19. During 2006–2007, seven inspections of country offices were conducted, five of which reviewed areas where the number of complaints received indicated a high risk of mismanagement or possible malfeasance. In general, the inspections corroborated the audit finding of operations and programme management as the area attracting most observations.



20. In 2006–2007, 389 new complaints were recorded of which 139 were converted into cases. There was a significant decline in the number of cases in the categories of harassment, sexual harassment and abuse of power (HSHAP) and food diversion compared with 2004–2005, but there was an increase in cases of entitlement fraud and theft (see Annex III). One major investigation concerned financial fraud at the Southern Africa Regional Bureau (then ODJ); (see paragraphs 52–57). This highlighted inadequate controls in functional areas of operations and programme management and financial management.
21. The inspections and investigations function raised 482 recommendations during the biennium, of which 412 (85 percent) have been implemented.

SIGNIFICANT MANAGEMENT CHALLENGES

Emergency Response

22. WFP and the United Nations focused on enhancing its humanitarian emergency response capacity. During 2006, the internal audit function reviewed WFP's response to the earthquake in Pakistan. A similar audit of WFP's response to the Asian tsunami crisis had been undertaken in 2005. The Pakistan audit noted several strengths such as timely approval of operations, early release of funds, early assessment surveys, improved targeting, establishment of a United Nations Joint Logistics Centre (UNJLC) and assumption of the lead role in two clusters. It identified several continuing and new challenges, including:
- inadequate management structure and support for managing the emergency;
 - inadequate commodity management and reporting systems;
 - non-compliance with rules in some procurement transactions;
 - absence of guidance in managing inter-agency support services; and
 - shortcomings in the cluster approach.
23. In 2006, WFP took steps to enhance its emergency-response capabilities. The *Activation Protocol for Responding to Corporate Emergencies* was issued on 20 March 2006 and an emergency coordinator position was established in Rome. A formal structure was developed that included the Rapid Response Working Group, chaired by the emergency coordinator, with sub-working groups for staff deployment. WFP also established a United Nations Humanitarian Response Depot (UNHRD) network, which provided services to United Nations agencies, international organizations, governments and non-governmental organizations (NGOs) either free or on a cost-recovery basis. WFP provided leadership in logistics, information and communications technology (ICT) and nutrition clusters.
24. WFP's emergency response was tested during the Lebanon crisis in July and August 2006, which was audited in 2007. OSDA found some recurring issues such as inadequate command and control structures, commodity management and reporting, and inter-agency processes.

Operations and Programme Management

25. WFP's Strategic Plan (2006–2009) indicated that WFP was still not able to provide robust and systematic evidence of results achieved. Monitoring and evaluation (M&E) of effectiveness requires further improvement. During the biennium OSDA looked at



WFP's operations and programme management processes through 4 Headquarters audits, 31 field audits and 7 inspections. Programme management was also reviewed for some investigations. Of 415 audit recommendations due for implementation, 21 were high risk, 179 medium risk and 215 low risk.

⇒ *Recurring Issues*

26. The security environments in which some of WFP's important operations are carried out allow only very limited monitoring of its activities. This increased the risks of food diversion, resulting in the possibility of "actual beneficiaries" not being fed.
27. There was an absence of timely and accurate reporting by government and non-government cooperating partners who distributed food on WFP's behalf. Because of this inadequacy, WFP risked presenting unreliable standard project reports (SPRs) and other accountability reports.
28. WFP did not have an integrated information system to facilitate management of all programme management processes, which had resulted in a proliferation of systems for recording data and loss of time in reconciling data; it also affected distribution reporting. The problem was compounded by lack of a corporate M&E database for monitoring outcomes and taking corrective action. OSDA has consistently recommended development of a corporate system. Some work was carried out in this regard through the Common Monitoring and Evaluation Approach (CMEA) project, which is being linked to WINGS II.
29. WFP tracks food movements through the Commodity Movement Processing and Analysis System (COMPAS); an upgraded version – COMPAS II – was launched in 2004. OSDA audits found weaknesses in the operation of WFP's commodity tracking systems such as inadequate recording, delayed updating, inconsistencies in data and non-capture of losses. The use of COMPAS at the onset of emergencies was weak, with emergency staff relying mainly on Excel spreadsheets for tracking commodities.
30. To avert pipeline breaks and meet emergency needs, WFP regularly lent or borrowed commodities from other emergency operations (EMOPs), protracted relief and recovery operations (PRROs) and projects. Several issues are associated with lending and borrowing, including inadequate recording, meeting associated costs, meeting donor conditions, and appropriate accounting treatment.

⇒ *New Issues*

31. Because of the evolution of WFP's work, new issues emerged during the biennium in the functional area of programme management. These included challenges associated with United Nations Humanitarian Air Service (UNHAS) operations in one country, and with the new Field Emergency Support Office (FESO).
32. Of the 415 recommendations due for implementation in 2006–2007 in the area of operations and programme management, 298 (72 percent) have been implemented by management. OSDA continues to monitor implementation of the remaining recommendations.

Financial Management and Reporting

33. WFP had a decentralized structure, with operations in 77 country offices, 6 regional bureaux and 12 liaison offices. Financial information was captured in WINGS. The EPS was introduced in 53 country offices and regional bureaux. In the biennium, financial



management and reporting processes were audited in 46 field offices and 2 Headquarters units. Of the 319 audit recommendations due for implementation in 2006–2007, 2 were deemed high risk, 132 medium risk and 185 low risk.

⇒ *Recurring Issues*

34. The investigation of financial fraud by two finance staff in ODJ suggested weaknesses in segregation of duties, reconciliation of payments in EPS and WINGS, bank reconciliations and controls in EPS. OSDA audits during the biennium continued to find similar weaknesses in financial management and reporting. Management introduced three major improvements following the ODJ fraud: (i) vendor master centralization; (ii) use of pre-formats in EPS; and (iii) timing and completeness of bank reconciliations.

⇒ *New Issues*

35. In 2007, OSDA reviewed the implementation of IPSAS in WFP and made recommendations to ensure WFP's compliance with IPSAS by the planned date. It also highlighted areas where further clarifications were needed in terms of interpreting the standards.
36. There were 319 audit recommendations due for implementation during 2006–2007 in the functional area of financial management and reporting, of which 243 (76 percent) have been implemented. OSDA continues to monitor the implementation of recommendations. The ODJ investigation made 27 recommendations concerning management and controls, most of which pertained to financial management and EPS; 18 (67 percent) have been reported as implemented; 8 are ongoing.

Resource Mobilization

37. WFP is a voluntarily funded organization. Raising resources to meet needs is a major management objective. The Strategic Plan (2006–2009) highlights WFP's lack of funding as a significant risk and indicates that although WFP has begun to diversify its resource base, it remains financially dependent on resources from a relatively small number of donors. OSDA examined resource mobilization, external liaison and partnerships in one Headquarters audit and 12 field audits. There were ten audit recommendations due for implementation of which three were high risk, two were medium risk and five low risk.
38. Issues relating to full-cost recovery, which were reported in the biennial report of the Inspector General for 2004–2005, remained a challenge for WFP. In May 2006, the Fundraising and Communication Department (FD) issued a directive and provided guidance for a more structured approach to meeting full-cost recovery in cases where commodities were donated by a host government to be used in-country but was not produced in the country or imported on a commercial basis. There continued to be a lack of guidance on valuation of in-kind gifts and services.
39. In 2006, an OSDA audit of the Private-Sector Fundraising Division (FDP) highlighted the need for (i) a strategy for private-sector fundraising aligned with the Strategic Plan, (ii) formalization of policies and guidance through circulars and directives, (iii) clarification of reporting lines and structure of the FDP, (iv) screening of private-sector donors, and (v) development of a corporate information system for private-sector fundraising. Management agreed to implement the recommendations. The new private-sector fundraising strategy was approved by the Board at its First Regular Session in 2008.



40. There were ten audit recommendations due for implementation during 2006–2007, of which eight were implemented.

Support Services

41. Support services were reviewed through 32 field and 5 Headquarters audits; 133 audit recommendations were due for implementation, of which 3 were high risk, 41 medium risk and 89 low risk.
42. WFP's Strategic Plan (2006–2009) identifies WFP's staff capacity and retention in stressful work environments as a risk. Management Objective 2 of the Management Plan (2006–2007) is: "Be the employer of choice for competent staff committed to ending hunger." OSDA reviewed recruitment, reassignment and promotion processes in an audit in 2006, which confirmed that WFP's human resources (HR) processes remain high risk. The review indicated a need for:
- an approved HR strategic plan;
 - an HR manual;
 - improved timeliness in fielding staff at the outset of major emergencies;
 - more transparency and consistency in hiring and promotion processes;
 - compliance with performance evaluation timeframes; and
 - early filling of critical staff vacancies.
43. The Human Resources Division (ADH) began to align HR functions with the Strategic Plan. An HR strategy aligned with the Strategic Plan (2008–2011) is expected to be presented to the Board for its approval in 2008.
44. OSDA also reviewed the performance measurement and reporting processes during the biennium and made several recommendations for improving them, including the establishment of a well defined performance measurement and reporting framework.
45. There were 133 recommendations due for implementation during 2006–2007, of which 85 (64 percent) were implemented.

Information Technology

46. During the biennium, five functional audits of IT processes were conducted and 78 recommendations were due for implementation. Of these, 29 related to low-risk issues, 44 related to medium risk issues and 5 to high-risk issues. The areas reviewed included EPS, the resource mobilization system, COMPAS, the Personnel Action System Portal (PASPort) HR system for local staff, and WINGS II development.
47. OSDA reviewed the EPS at Headquarters and at four field offices. Following the investigation of financial fraud in ODJ, management worked on (i) enhanced controls related to EPS, including high availability of internet services and access to back-up at field offices, (ii) a detailed security checklist for field offices and (iii) implementation of a pre-format library. The audit found EPS to be a high-risk process that exhibited some of the weaknesses identified in the ODJ fraud, including:
- weak physical and logical security controls over EPS functions;
 - lack of proper segregation of EPS networks: users could access other networks, servers, websites and systems in the field offices;
 - insufficient control over creation of users and their access profiles;



- inadequate monitoring of EPS processes: EPS users did not verify transaction and system activity logs in EPS; and
 - ineffective implementation of the pre-format library in some country offices and regional bureaux.
48. Management reports that it has addressed the weaknesses and implemented changes in 31 percent of the recommendations made in the audits.
49. The OSDA review of the WINGS II development processes identified areas that need to be improved to make it possible to meet the current “go-live” deadline of January 2009.
50. There were 78 recommendations due for implementation during 2006–2007, of which 49 (63 percent) were implemented.

SIGNIFICANT INVESTIGATIONS

51. During 2006–2007, 139 new investigations were registered; 42 cases were carried over from 2004–2005. Of the 181 cases processed, 127 were closed. Of the cases registered during the biennium, 29 pertained to matters such as harassment, sexual harassment, abuse of power and entitlement fraud; 5 were related to sexual exploitation and abuse (SEA), and 67 to fraud and commodity losses. Some major cases are discussed below; Annex IV gives a summary of cases related to fraud and presumptive fraud reported to the External Auditor.

Financial Fraud – Regional Bureau, Southern Africa

52. On 21 October 2005, OSDI was contacted by the ODJ Regional Director to request assistance in investigating a financial fraud of US\$1.2 million. The Regional Director reported that a transport contractor had contacted ODJ concerning an unpaid invoice, which on preliminary investigation seemed to have been paid into the bank account of a vendor not registered with WFP. Further research showed that 12 payments had been made to this vendor, and that a finance assistant in ODJ owned the vendor. On investigation, OSDI determined that another US\$3.3 million had been transferred to another vendor not registered with WFP; the company was owned by a national finance officer in ODJ. OSDI found two more payments totalling US\$1.16 million to another vendor not registered with WFP, but owned by the same national finance officer. None of the three vendors had ever been awarded a contract by WFP, nor was there a record of a cession in favour of the vendors from a registered vendor.
53. A review of financial management in ODJ revealed that its EPS was not linked automatically to WINGS. As a result, payment details were entered individually into the EPS by an “inputter” and released by two independent officers authorized to do so using their personal identification number (PIN) cards. The finance assistant was the designated “inputter”. The national finance officer was not authorized to release payments, but in the absence of the regional finance officer he had access to the PIN cards of at least two independent authorizers and was therefore able to effect the releases. Exploiting this situation, the finance officer and the finance assistant colluded to enter and release payments to themselves from ODJ accounts.
54. OSDI’s review of ODJ’s WINGS transactions uncovered a series of payment reversals and cross-clearing of the fraudulent payments against valid obligations, which were intended to obscure the fraud. These transactions were conducted by the finance assistant, the national finance officer or staff under their direction. A series of settlements for



outstanding invoices with transport contractors in 2003 was utilized to facilitate a second payment using the invoices that had already been entered. Other WINGS facilities such as journal vouchers and account-payable invoices were misused in order to charge a project directly and facilitate double payments.

55. OSDI concluded that the two finance staff had colluded to defraud WFP of US\$6 million, and that the factor enabling the fraud was inadequacy of internal controls, which had been highlighted in earlier audits. There was also a lapse in transport contract controls – in particular, a failure to document logistics contracts adequately in the early stages of the emergency response resulted in “payments in advance” and provided the basis for the fraud. Another manifestation of this was the final arbitration decision against WFP for US\$3 million to a transporter.
56. The two WFP staff involved in the fraud were charged by the South African police; legal proceedings are ongoing. Their personal assets, including bank accounts, were seized and most of this may be paid over to WFP in the event of a conviction. The value of assets seized is more than US\$5 million.
57. OSDI issued 27 recommendations on internal controls and 10 concerning personnel action. Management has stated that 18 internal control recommendations and 7 personnel recommendations have been implemented; 8 internal control recommendations and 3 personnel recommendations are being implemented. In the case of non-implemented internal control recommendations, management is of the view that compensating controls are in place. By sanctioning staff, a signal has been sent to WFP staff in general and to managers in particular that accountability is a major pillar of governance in WFP.

Unauthorized Gold Trading and Exporting – Democratic Republic of the Congo

58. OSDI received a written complaint against a staff member from a gold trader in the Democratic Republic of the Congo (DRC). The complaint had been forwarded to WFP by the Office of the Special Representative of the Secretary-General (SRSG). It was alleged that the complainant had filed a case with the mining police to retrieve money owed by the staff member and his associate to the complainant as part of a gold-trading and exporting venture in late 2006. According to the complainant, the staff member had knowingly filed false accusations and bribed officials of the Office of the Prosecutor, resulting in the complainant’s arrest and detention at the Central Prison.
59. The investigation determined that the staff member had been involved in unauthorized gold trading and exporting with his alleged associate. It was further determined that the staff member had failed to properly notify United Nations officials of his involvement in police and judicial proceedings, including his participation in two interviews and the making of signed depositions during WFP working hours. OSDI considered the staff member’s actions in the unauthorized trading of gold and the subsequent attempt to mislead the investigation as unsatisfactory conduct detrimental to the name of the United Nations and WFP. OSDI also found that the staff member’s failure to notify United Nations officials of the criminal proceedings in which he was involved was endangering himself, his personal staff and possibly other United Nations personnel. WFP terminated the employment of the staff member.



Commodity Loss – the Sudan

60. The Sudan country director requested OSDI assistance following the discovery by the country office that transporters had re-bagged 53 mt of WFP food valued at US\$15,000 in Khartoum and 81 mt valued at US\$23,000 in Nyala, and that bribery and attempted bribery of WFP staff had occurred in Nyala. A transporter's agent and a WFP staff member were arrested by police during an operation in which the country office security staff assisted the police.
61. OSDI findings suggested significant failures in logistics controls in responding to the Darfur emergency. These failures enabled transporters to breach contractual requirements by trans-shipping and making late deliveries. This loss of control at a higher level was reproduced at the area office level, where inaccurate COMPAS data prevented completion of even basic logistics measures such as stock reconciliations. This was a contributing factor to widespread substitution of WFP food by transporters and extensive losses by WFP.
62. Transporters used long-haul trucks to make unauthorized trans-shipments, transporting food from points of origin to Khartoum and El Obeid and then using short-haul trucks to destinations in Darfur. The country office had no formal system to track the trans-shipped food. This, combined with a backlog in COMPAS, meant that in 2004 the country office was not able to use COMPAS to track deliveries to Darfur accurately. The transporters were obviously aware of this lack of tracking and exploited it to offload and store food in their warehouses and send trucks back to reload additional food, increasing their carrying capacity and apparent performance and the advances paid to them; 10,000 mt of food was found by country office security staff and OSDI in three transporters' warehouses. OSDI found that at least seven transporters were conducting unauthorized trans-shipments.
63. OSDI found 1,300 mt of substituted food in El Geneina alone, but this was only what could be seen out of a stock of 30,000 mt: it is likely that the actual amount of substituted food is much higher. Transporters possibly collected food from WFP warehouses in Khartoum, sold it in the Khartoum market and then purchased food in Darfur – some of it from previous WFP distributions – and delivered it to WFP in Darfur as if it were the food initially loaded in Khartoum. Thirteen police cases were opened in Khartoum and Darfur concerning transporters' substitution of food.
64. OSDI and country office security staff assisted the police in El Geneina in arresting a WFP staff member who was arranging for the stamping of fraudulent WFP waybills in exchange for bribes from transporters. The staff member also manipulated the entering of waybills in COMPAS as if the food had been received.
65. OSDI issued 46 recommendations, of which 42 (91 percent) have been implemented; four were not implemented by the unit responsible. Management has reported that control mechanisms have been put in place to ensure that country office management is alerted to any unnecessary delays in the arrival of food at its planned destination.

Diversion of 1,348 mt of WFP Commodities – Tajikistan

66. A national staff member reported to the country office management in October 2006 that a significant amount of food had been diverted by a staff member during distribution in April/May 2006. The country office conducted an initial review that found evidence confirming the allegations. During this period, the staff member absented himself from duty without authorization.



67. The OSDI investigation found that food had been requested and approved by the country office for 125,591 beneficiaries for vulnerable group feeding (VGF) distributions conducted by the sub-office in April/May 2006 and that 4,556 mt had been dispatched from the WFP warehouse. The final distribution report and the waybills submitted for payment to the country office indicated that the food had been transported to the destinations according to the original plan. However, a review of the distribution reports maintained at the sub-office and not sent to the country office indicated that the total food received at the distribution sites was 3,261 mt for only 94,325 beneficiaries. A review of the waybills and a verification of signatures with the VGF food aid monitors (FAMs) revealed falsified receipt signatures on a considerable number of waybills submitted to the country office. During the verification of signatures with the VGF FAMs, it also became clear that additional waybills must have been issued to account for differences in quantities actually received by the FAMs and the quantities noted on the waybills submitted for payment.
68. OSDI concluded that the diversion was instigated by the staff member and that he was assisted by another staff member who had prepared the false distribution reports at his request. OSDI further determined that the first staff member had personally diverted several convoys of trucks to a bakery, where the food had been sold. As a result of the actions of the two staff members, WFP sustained a loss of US\$590,051, including the value of 1,348 mt of food. OSDI also found that the same staff member had previously diverted 28 mt of food valued at US\$11,197. The staff member was dismissed for abandonment of post, and the findings of the investigation were noted on his file. The contract of the staff member who had assisted by preparing false reports was not renewed beyond its expiry. OSDI also recommended that WFP consider criminal prosecution of the staff member, that the transport company involved be removed from the WFP shortlist and that WFP recover the cost of transport.
69. OSDI further found that there had been insufficient supervision of the sub-office. To improve internal controls, OSDI recommended that WFP Tajikistan ensure that:
- approved food requests be shared at the central and local levels of government to provide a check and balance, so that those in the government acting on behalf of beneficiaries have a clear understanding of the quantities of food that beneficiaries can expect to receive;
 - the reconciliation between the distribution and dispatch reports carried out by the sub-office be reviewed at the country office level; and
 - the logistics unit participate in distributions where there is no permanent WFP staff.
70. OSDI made six recommendations, all of which have been implemented.

Sexual Exploitation and Abuse – Liberia

71. On 5 May 2006, WFP was advised that following a SEA workshop organized by Save the Children UK (SC–UK), a British Broadcasting Corporation (BBC) reporter in Liberia had interviewed two beneficiaries who allegedly had been forced to grant sexual favours in return for food. On 8 May 2006, the BBC report on SEA in Liberia quoted the findings of the report by SC–UK, which included interviews with two beneficiaries who stated that they had been coerced into sex with WFP workers in exchange for food.
72. OSDI was able to locate and interview the two beneficiaries who had made the allegations to the BBC. One beneficiary, a 20-year-old internally displaced person, reported that she had experienced one incident of “sex for food” in 2005. The other, a



30-year-old returnee, recounted several instances between 2003 and 2004. Both women were shown photographs of WFP employees who could have been perpetrators. Neither was able to identify them as the men involved. OSDI found that in the case of the first beneficiary the evidence indicated that the perpetrator was most probably a staff member of an NGO cooperating partner. In the case of the second beneficiary, the evidence indicated that the perpetrators had been drivers employed by companies contracted by WFP. In both cases, the women received money in exchange for sex. The women believed that if they had not consented to sex, they might not have received food.

73. OSDI concluded that although there was insufficient evidence that a WFP employee had been involved, the women clearly believed that the individuals with whom they had had sex were WFP staff members. The perpetrators distributed WFP food, arrived in vehicles displaying the WFP symbol and wore WFP-marked clothing. OSDI noted that since WFP's work involves contact with beneficiaries during the distribution of food, individuals involved in distribution are susceptible to being associated with transactional misconduct emanating from power inequalities and based on material gains. WFP therefore faces a risk to its reputation, not only for the conduct of its staff and the staff of its cooperating partners, but for all involved in the supply chain in the camps, including commercial drivers and others identified with WFP food.
74. OSDI made 16 recommendations, of which 10 (63 percent) have been reported as implemented. Management has reported that all country offices and regional bureaux have been requested to insert a clause in transport contracts to ensure protection against SEA and that this requirement has been incorporated in the transport manual.

Sexual Exploitation and Abuse

75. An international staff member advised that he had been accused of engaging in a relationship with a minor by officials of the government, and that he had paid the officials a bribe of US\$1,500 to ignore the complaint. The staff member also advised that he had received death threats. Subsequently, the staff member: (i) disregarded the deputy country director's instruction that he report to the country office; (ii) left his duty station one day before his approved leave; and (iii) entered a neighbouring country without permission. The staff member ignored the instructions of the field security officer (FSO) to meet the officials, ascertain the purpose of the meeting and report to the country office senior management.
76. The OSDI investigation determined that there was evidence to substantiate that the staff member had had a sexual relationship with a minor who was also a beneficiary of WFP assistance. OSDI concluded that the staff member had breached the Secretary-General's bulletin concerning sexual exploitation and that the staff member had left his post one day before his annual leave. OSDI considered him to be insubordinate in that he demonstrated an unwillingness to carry out prescribed duties by not answering his telephone when he knew, or should have known, that the deputy country director was trying to convey instructions to him, and that he had driven across the border to a neighbouring country without permission. OSDI found that the staff member had often been evasive and uncooperative, and had made false statements during his interview with OSDI.
77. The staff member was summarily dismissed. All six recommendations made were implemented.



Violation of the WFP Whistleblower Protection Policy and Conflict of Interest Complaint

78. A staff member summarily dismissed in March 2007 subsequently submitted a complaint of retaliation. The essence of his complaint was that he had reported irregularities in 2002 concerning a contract in a country office.
79. The OSDI investigation determined that although the staff member had reported irregularities in 2002 there was no evidence of any link between the submission of the staff member's complaint in 2002 and the disciplinary charges that led to his dismissal in 2007. OSDI explored the possibility that there had been a conspiracy as alleged by the staff member, but did not find any evidence of it. OSDI determined that there was clear and convincing evidence that management would have imposed the disciplinary measure against the staff member regardless of his complaint in 2002. The staff member was advised of the findings.

Violation of the WFP Whistleblower Protection Policy

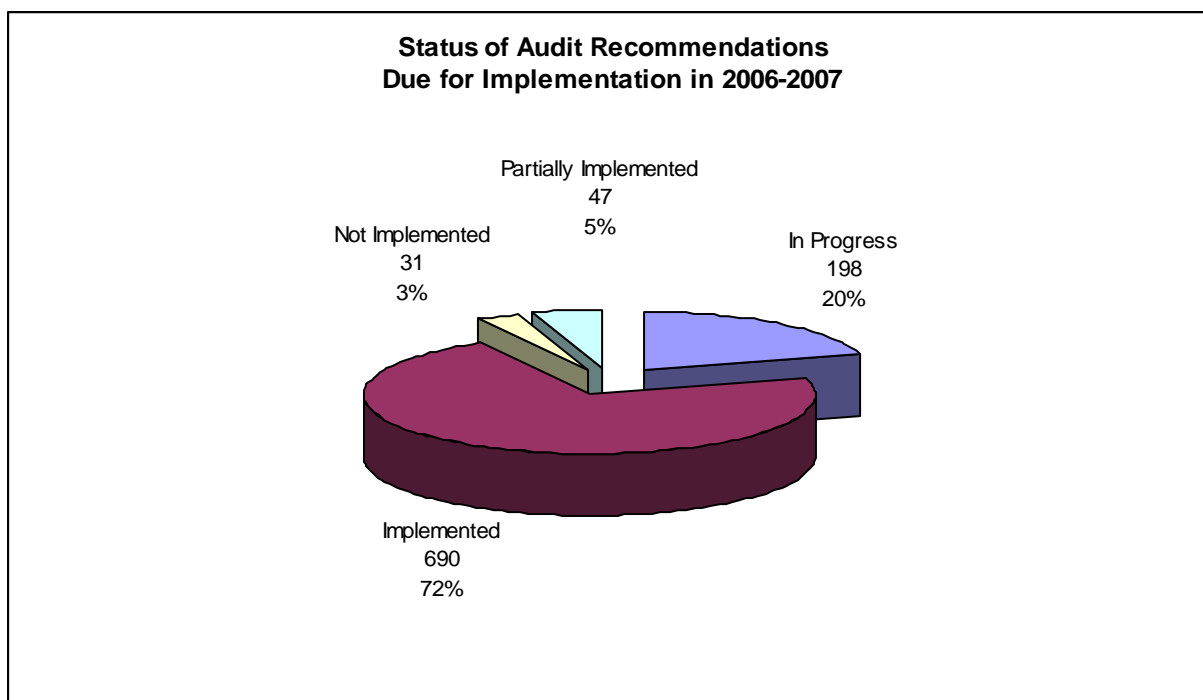
80. A staff member claimed that a disciplinary measure and other actions were taken against him as a result of his indulging in a protected activity. The staff member requested that the Inspector General investigate his complaint under the WFP Whistleblower Protection Policy.
81. The investigation concluded that the evidence did not support the staff member's claim that the disciplinary measure imposed by management was in retaliation for his participation in the protected activity, nor was there evidence of a pattern of retaliation to support this allegation. The staff member was advised of the findings.

MANAGEMENT RESPONSE

Implementation of Recommendations

82. In 2005, OSDA put in place a system for monitoring the implementation of its recommendations. Implementation of recommendations is a management responsibility. Monitoring the implementation of recommendations allows OSDA to gauge the level of management response and is an important element in the assurance opinion provided to the Executive Director. At the end of 2007, 68 percent of the 5,873 audit recommendations in the system had been closed; 8 percent were ongoing and 24 percent were open. Of 81 audit recommendations deemed not implemented, 3 concern high risk, 25 medium risk and 53 low-risk issues. A further 1,068 recommendations have been pending implementation for over a year, of which 33 are associated with high-risk issues. For audits conducted in 2006–2007, 1,597 recommendations were raised, of which all but 648 are in progress. Those recommendations deemed not implemented include one high-risk issue. During 2006–2007, 966 recommendations were due for implementation, of which 690 (71 percent) were reported as implemented by the offices responsible.





83. The investigation function made 319 recommendations, of which 265 (83 percent) had been implemented; the rest are outstanding.
84. The inspection function made 163 recommendations, of which 147 (90 percent) have been reported as implemented; 10 percent are outstanding.

Staff Sanctions

85. 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 106 staff against whom reports were submitted in the biennium, WFP sanctioned 87.⁶ Of these, 4 were sanctioned for reports issued in 2005, 41 for reports issued in 2006 and 42 for reports issued in 2007. The sanctioned include 20 international staff and United Nations Volunteers, 66 national staff, including service contracts and special service agreement contracts, and 1 non-staff.

Losses and Recoveries

86. A loss of US\$1.2 million was documented during the biennium. Over the reporting period, US\$860,000 was recovered. Most of this relates to Cambodia where, as a result of management persistence, WFP made good progress in recovering the full extent of the losses.

TRENDS

87. Operations and programme management continued to attract the highest number of audit recommendations – 415 – due for implementation during the biennium 2006–2007 and the highest number of high-risk recommendations – 21. This is followed by the functional area

⁶ This figure includes administrative and disciplinary actions.



of financial management and reporting, with 319 recommendations of which only two pertained to high-risk issues. These two functional areas attract 76 percent of observations (see Annex II), a result consistent with reporting in the previous biennium, and represent the largest functional areas of WFP. The fact that there were only four high-risk observations in financial management and reporting indicates that controls in the area of financial management have improved.

88. Audit issues are classified by five underlying causes: (i) compliance, (ii) error, (iii) guidance, (iv) guidelines and (v) resources. In line with past reporting, the compliance category continues to be the main underlying reason for audit recommendations, with 513 recommendations (53 percent) due for implementation, of which 14 are high risk (see Annex V). The Inspector-General's Report (2004–2005) (WFP/EB.A/2006/6-F1, paragraph 39, page 12) noted: "This is mainly because of WFP's work in emergency situations, which places more stress on compliance with prescribed rules and procedures. It is important that management examine whether existing rules and procedures are appropriate for emergency situations. If not, rules, regulations and procedures that are more realistic and applicable, yet manage to maintain adequate controls, should be designed." Our work in the South Asian earthquake crisis indicated a continued need to focus on this recommendation. Other audit work in 2006–2007 was not emergency-specific. Issues of non-compliance from this work could be indicative of weaknesses in the overall control environment. The guidance category – 227 recommendations – and the guidelines category – 96 recommendations – are the next largest category of causes after compliance.
89. There was an increase in the number of complaints registered, from 182 in 2004–2005 to 389 in 2006–2007. However, conversion of complaints to investigations remained steady: 139 new investigations were registered in 2006–2007 compared with 150 in 2004–2005. Of the complaints received, 31 percent were through the WFP hotline. Most of the complaints were received as referrals from country offices. Compared with 2004–2005, there was a significant decline in the number of cases in the categories of harassment/sexual harassment, abuse of power and food diversion; there was an increase in cases of entitlement fraud and theft. The number of cases appears to be stabilizing at about 70 new investigations per year, after a peak in 2004.

BEST PRACTICES

90. OSD pioneered enterprise risk management (ERM) in WFP. The ERM policy was approved by the Board in 2005. In 2006, the responsibility for embedding ERM in WFP shifted from OSD to OEDR, and after a short period to the Office of Change Management (OEDCM). A guidance manual for ERM was issued and an intranet website was established. The corporate risk profile was updated and OSDA supported offices requesting facilitation in conducting risk-management workshops. WFP should not lose momentum on this best practice, despite changes in management and the ongoing debate on Programme Support and Administrative (PSA) resources. Since 2006, OSDA has been auditing ERM as a process.
91. OSD helped to develop the WFP Whistleblower Protection Policy, which was issued as an Executive Director's circular in November 2006. It was subsequently amended to bring it into line with the Secretary General's bulletin ST/SGB/2005/21 establishing the United Nations Ethics Framework. WFP also established an Ethics Office. During the biennium, OSD concluded three investigations into allegations of retaliation for whistleblowing, two of which are reported in paragraphs 78–81.



92. As per Article VII 6 of the WFP General Regulations, WFP staff is administered in accordance with the FAO Staff Regulations and Rules and such special rules as may be established by the Executive Director in agreement with the Secretary-General and the Director-General. OSD had urged management to add a special rule to the Staff Rules to oblige managers to reveal conflicts of interest and make financial disclosures. The Staff Regulations of the Food and Agriculture Organization of the United Nations (FAO) have since been amended. The WFP Ethics Office is finalizing a policy on financial and conflict-of-interest disclosures for implementation from 2008.
93. During 2006, OSD worked with Staff Matters and the HR Division (ADH) to devise a corporate policy on HSHAP. The policy, issued in February 2007, envisages that all investigative work concerning formal complaints will be undertaken by OSDI.
94. Oversight and governance arrangements in WFP were the subject of several reviews in 2006. JIU conducted a United Nations system study and issued the Oversight Lacunae in the United Nations System report in April 2006. The General Assembly commissioned the Comprehensive Review of Governance and Oversight within the United Nations, Funds, Programmes and Specialized Agencies, which was issued in June 2006. The matters arising from these reports are being considered by the Board.
95. During 2006, OSD initiated a continuous auditing and monitoring (CAM) system. Based on the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) framework and using IT tools, CAM will generate reports that highlight control deficiencies and high-risk transactions in WFP's cross-functional platforms and information systems. The eight modules of this system, which cover the procurement, have been completed and applied in a number of 2006 and 2007 audits. OSD would make CAM reports available to WFP business units for internal monitoring purposes.
96. In late 2006 OSD launched an internal transparency and accountability website to provide staff with an easy-to-find reference concerning these issues and the actions taken by WFP to ensure that it meets best practices in this area. OSD also published the WFP Investigation Handbook, which was distributed to all country offices and regional bureaux.

COORDINATION WITH EXTERNAL AUDITORS AND OTHER OVERSIGHT ENTITIES

97. WFP reconstituted its Audit Committee (AC) in 2004 with three external and two internal members; one external member also chairs the committee. The terms of reference of the AC were issued by the Executive Director in 2005 on the recommendation of the AC. OSD has provided the AC with reports on audits and investigations on a quarterly basis. The AC also receives all internal audit reports. OSDA has benefited from the AC's consideration of its strategy and work plans. The AC has followed significant investigations being undertaken by OSDI. In 2007, membership of the AC was altered to comprise external members only.
98. During 2006–2007, regular contact was maintained with the National Audit Office of the United Kingdom, the External Auditor for WFP, with whom OSDA shared its audit strategy and work plan. OSDI also shared the outcomes of investigations with the External Auditor.
99. OSDA is a participant in the working group of the United Nations Development Group (UNDG) that deals with issues related to harmonizing auditing practices, developing strategies for auditing joint offices, multi-donor trust funds (MDTFs) and operations such as United Nations system responses to complex emergencies. The UNDG working group



has produced a rating system for audit reports and has reached an understanding on the approach to auditing MDTFs.

100. OSD participated in the annual meetings of the Representatives of the Internal Audit Services of the United Nations System and Multilateral Institutions and the Conference of Internal Investigators of the United Nations Organizations and Multilateral Institutions. It has developed a working partnership with OLAF.
101. OSD maintained a supportive relationship with the Ombudsman, whose position was established early in the biennium, and has initiated similar links with the Ethics Officer, who was appointed in late 2007. There have been formal and informal exchanges of information and ideas. A working relationship was also maintained with OEDE. The Inspector General is a member of the newly constituted Internal Evaluation Committee.

PREVIEW OF 2008

102. In view of the increase in OSD's assurance and investigation work and of the level of resources available in the 2008–2009 biennium, there should be a reduction in activities such as advisory services and inspections. At the same time, internal audit would undertake more value-for-money audits during the biennium and OSDI would implement all recommendations emanating from the Peer Review.
103. OSD would be ready to support management in developing policies and procedures to enhance governance; this could include support to develop and implement a corporate anti-fraud and corruption policy and framework. The Chief Executives' Board has initiated a dialogue among United Nations entities for benchmarking the principles in the United Nations Convention against Corruption (UNCAC). As the WFP focal point, OSD will continue this process.

ANNEX I

Audits and Inspections in 2006–2007

2006 Field Audit	
1	ODPC – Latin America and the Caribbean Regional Bureau
2	Haiti
3	Bolivia
4	El Salvador
5	Afghanistan
6	Pakistan
7	ODK – Eastern and Central Africa Regional Bureau
8	Niger
9	Sudan
10	Ethiopia
11	ODJ – Southern Africa Regional Bureau
12	Sri Lanka
13	ODD – West Africa Regional Bureau
14	Côte d'Ivoire
15	Mauritania
16	Burkina Faso
17	ODB – Asia Regional Bureau
18	Bangladesh
19	Kenya
20	Cuba
21	Peru
22	Uganda
23	ODC – Middle East, Central Asia and Eastern Europe Regional Bureau
24	Indonesia
25	FDDJ - Japan Liaison Office
26	ODTS - Ocean Transport Service - Indonesia

2006 Headquarters Audit	
1	ADH - Recruitment, Reassignment and Promotion Processes
2	FDP - Private Sector Fundraising Activities
3	ODTS - Ocean Transport Activities
4	ODTL - Air Transport Activities

2006 ICT Audit	
1	CFOT/ADI - Electronic Payment System
2	ADI - Support and Processes in RMS, COMPAS, and ERMP Applications

2006 Inspection	
1	Lao People's Democratic Republic
2	Philippines

2007 Field Audit	
1	ODD - West Africa Regional Bureau (Sierra Leone, Guinea Bissau, Central African Republic)
2	Syrian Arab Republic, Armenia
3	Ethiopia
4	Dubai
5	Iran
6	India
7	Malawi, Mozambique, Zambia
8	Afghanistan
9	Zimbabwe
10	Cape Verde (United Nations joint audit)
11	Chad
12	Kenya
13	Sudan
14	Bangladesh
15	Angola
16	DRC
17	ODJ - Southern Africa Regional Bureau

2007 Non-IT Functional Audit, HQ	
1	PDPR - Performance Measurement and Reporting
2	OED - Expenditures
3	CFO - Progress of Implementation of IPSAS
4	ODTP - Food Procurement
5	ADMP - Non-Food Procurement
6	CFOB - Budget Management

2007 IT Functional Audit	
1	ODS – Human Resources System for Local Staff (PASSPort)
2	CFO – Electronic Payment System (United Republic of Tanzania, Zimbabwe, South Africa)
3	ADI – IT Communication Processes

2007 Inspection	
1	Bukavu, DRC
2	Pakistan
3	United Republic of Tanzania
4	Lubumbashi, DRC
5	Somalia

ANNEX II

FUNCTIONAL AUDITS OF PROCESSES IN HEADQUARTERS AND COUNTRY OFFICES 2006–2007						
Function	No. of offices		Number of audit observations			
	HQ	Field	High risk	Medium risk	Low risk	Total
Governance	6	10	2	29	28	59
Risk management	0	10	0	14	8	22
Control activities						
Financial management and reporting	2	46	4	199	230	433
Operations and programme management	4	31	18	341	216	575
Support services	5	32	7	120	98	225
Resource mobilization, external liaison and partnerships	1	12	2	34	18	54
Total			33	737	598	1 368

FUNCTIONAL AUDITS OF INFORMATION TECHNOLOGY 2006–2007						
Function	No. of offices		Number of audit observations			
	HQ	Field	High risk	Medium risk	Low risk	Total
Governance	1	1	1	4	6	11
Risk management	1	1	0	2	0	2
IS*/IT acquisition and implementation	1	1	0	21	8	29
IS/IT delivery and support	4	7	2	13	14	29
IS/IT monitoring and security	4	5	1	12	10	23
Application controls	5	8	1	13	6	20
Total			5	65	44	114

* information system



ANNEX III

REGISTERED COMPLAINTS AND CASES PER BIENNIUM					
Biennium	2002–2003	2004–2005		2006–2007	
Case type	Cases	Complaints	Cases	Complaints	Cases
Harassment, sexual harassment and abuse of power	17	71	45	95	28
Sexual exploitation	1	5	6	9	6
Conflict of interest/bribery	14	9	13	10	6
Food diversion	11	15	27	49	25
Fraud	-	28	-	34	14
Financial fraud	3	5	11	9	7
Procurement fraud	-	9	14	24	10
Entitlement fraud	7	1	2	16	11
Theft	4	6	13	29	20
ICT	-	9	-	18	5
Mismanagement	7	7	8	4	1
Miscellaneous	5	14	9	41	5
Retaliation/Whistleblower	-	-	-	5	1
Consultation	8	3	2	46	-
Total	77	182	150	389	139

NB: Recording of complaints separately from investigations started in 2005.



ANNEX IV

CASES OF FRAUD AND PRESUMPTIVE FRAUD IN 2006–2007			
Date	Region	Case No.	Case description
Jul 2005	ODD	407/05	A staff member had not paid for more than US\$17,500 of personal phone calls. The staff member subsequently paid for the private calls (not reported in 2005 because the case was ongoing).
Feb 2006	ODK	02/06	A staff member found to have not deposited funds from the sale of empty bags or from the payments of personal phone bills. The estimated loss was US\$13,000, of which US\$8,000 has been recovered to date; the country office is recovering the remaining US\$5,000.
Feb 2006	ODJ	05/06	A national staff member in Swaziland joined WFP when she was still officially employed by FAO; it was later confirmed that she came to WFP during her official maternity leave. As a consequence, she received two salaries, from WFP and FAO, for the same month. A recovery was requested. The same staff member possibly committed procurement fraud by colluding with suppliers. WFP overpaid US\$13,685 for procurement of non-food items. Recovery was not possible because the alleged perpetrator was no longer a WFP staff member.
Mar 2006	ODB	08/06	Among other financial wrongdoings, a staff member had not deposited payments for personal phone calls, had collected cash DSA payments and not given it to the intended recipients. The estimated loss was US\$2,508, of which US\$850 was recovered.
Mar 2006	ODJ	09/06	Case was registered in 2006 when the country office requested authority for write-off of a cash loss of US\$3,891 that had occurred in March 2005. The funds were sent in the inter-office pouch as payment to a transport contractor for services rendered; however, no receipt was acknowledged and the staff responsible separated before the loss was discovered.
Mar 2006	ODB	12/06	A staff member admitted to altering petty cash receipts and the resulting theft of US\$1,268. The country office recovered US\$340 from the staff member and is endeavouring to recover further funds.
Apr 2006	ODJ	19/06	A lapse in procurement controls and management oversight resulted in (i) a large portion of the WFP truck fleet not being roadworthy, (ii) an inability to confirm delivery of 90 percent of fuel, (iii) one instance of double payment for fuel worth US\$9,000, (iv) an inability to verify delivery of US\$19,000 of spare parts, and (v) US\$12,000 paid to the firm without receiving service. The total verifiable loss was estimated at US\$23,692.
May 2006	ODB	25/06	A transport company substituted at least 188 mt of WFP imported wheat with inferior quality local wheat and delivered to WFP. The difference between the cost, insurance and freight (CIF) value and the market value of the food diverted was established to be US\$23,124.
June 2006	ODB	27/06	A forged cheque for US\$2,700 was cashed against the country office account. The bank covered the loss and the funds were recovered.
June 2006	ODJ	30/06	Case was opened in June 2006. The country office advised OSDI that it should have received a number of new mobile telephone handsets from the service provider, but these could not be accounted for. The investigation determined that that at least 67 mobile phones with a value of US\$30,000 could not be accounted for.
June 2006	ODB	31/06	An US\$800 payment for an UNHAS flight was stolen. An investigation determined that a similar instance involving the loss of US\$1,500 had also occurred. Staff responsible for taking the funds repaid the losses.
Jul 2006	ODJ	34/06	A staff member had requested bribes in return for contracts. An attempt to defraud WFP of more than US\$36,000 was uncovered; but it had not been carried through and no loss to WFP was actually identified.



CASES OF FRAUD AND PRESUMPTIVE FRAUD IN 2006–2007			
Date	Region	Case No.	Case description
Jul 2006	ODJ	37/06	Mismanagement was partially responsible for a series of thefts and the loss of US\$21,000 worth of spare parts for the WFP truck fleet.
Sept 2006	ODJ	42/06	A WFP-cancelled cheque was not physically cancelled. It was stolen from the WFP office and the signatures forged. The cheque was cashed at a local store and paid by the bank. The cheque amount was US\$335.77. The bank reimbursed WFP in full.
Sept 2006	ODK	52/06	A staff member presented false/altered invoices to Van Breda with the intention of receiving reimbursement. Recovery from the former staff member was recommended (US\$189.13).
Nov 2006	ODB	59/06	Government officials misappropriated 3,012 mt of WFP food. The parties responsible were identified by the investigation. WFP recovered 28 mt of food valued at US\$9,514.
Nov 2006	ODB	59.01/06	A government official misappropriated 10 mt of food valued at US\$2,691 destined for FFW. The food was returned to WFP. Allegations of participation of a WFP staff member in diversion were not substantiated because of lack of evidence.
Nov 2006	ODJ	60/06	A staff member used WFP telephones to make personal calls that were not repaid, resulting in a loss of US\$1,490. A recovery was recommended.
Nov 2006	ODJ	62/06	The case was registered in November 2006, when the county office requested authority for the write-off of US\$4,281 that had not been paid to a transport contractor as requested in November 2004. The loss only came to light in November 2005, after the transport contractor presented his invoice for payment.
Dec 2006	ODC	64/06	A staff member in collusion with a transport company diverted 1,384 mt of WFP food. Another staff member falsified distribution data to facilitate concealment of the diversion. Total losses to WFP were US\$590,051. WFP recovered US\$15,138 from the transport company.
Jan 2007	ODK	02/07	Four fraudulent WFP cheques were presented at various bank branches for payment. The total amount of the cheques was 5,153,423 Kenyan Shillings, (US\$82,785). The bank investigation determined that the false cheques used genuine cheque numbers of recently cashed cheques. The bank reimbursed WFP in full and several non-WFP staff were arrested by the Kenyan police.
Jan 2007	ODD	1/07	An envelope sent by pouch from the country office to a sub-office containing cash-in-transit of US\$3,900 disappeared.
Jan 2007	ODD	4/07	Theft of four satellite phones and seven additional SIM cards. The total loss was US\$20,966, including phone calls. The investigation concluded that a guard, who was not a WFP staff member, was responsible. A recovery of US\$16,221 was made.
Feb 2007	ODK	07/07	Theft of US\$43,000 worth of fuel from tanks at a WFP compound. Several security guards from a security company contracted by WFP were caught stealing fuel and admitted to having stolen US\$2,834 worth of fuel on several occasions.
Feb 2007	ODB	8/07	Misappropriation of 30 cartons of vegetable oil (CIF value US\$521) took place at WFP's warehouse in February 2007. Investigation did not find conclusive evidence to assign responsibility for theft.
Feb 2007	ODK	9/07	A staff member submitted inflated security expenses and was overpaid US\$1,350. Recovery from the staff member was recommended.
Feb 2007	ODK	9.1/07	A staff member knowingly received overpayment of US\$950 for reimbursement of security expenses without submitting adequate receipts. Recovery from the staff member was recommended.



CASES OF FRAUD AND PRESUMPTIVE FRAUD IN 2006–2007			
Date	Region	Case No.	Case description
Feb 2007	ODD	11/07	Four WFP staff members attempted to divert WFP food worth US\$1,000. Investigation concluded that a cooperating partner monitor also participated in the diversion of WFP food.
Mar 2007	ODC	15/07	A total of 26,849 mt of food had been diverted by focal points. One WFP staff member was involved and bribed. Loss to WFP was US\$4,200. A recovery was recommended.
Mar 2007	ODK	16/07	Six unidentified people broke into the WFP premises and stole US\$485 in cash from the safe box, one office digital camera valued at US\$400 and a Thuraya phone valued at US\$1,050. The safe and various items of furniture were damaged during the incident. Total loss to WFP was US\$3,356.
Apr 2007	ODD	21/07	A staff member attempted to divert WFP food by falsifying the signature on the food delivery forms and the waybill. The diverted food, valued at US\$1,927, were retrieved and sent back to the WFP warehouse.
Apr 2007	ODD	22/07	A cooperating partner attempted to divert WFP food valued at US\$1,537. The food was confiscated by police. A recovery was recommended.
Apr 2007	ODK	24/07	A staff member committed fraud related to WFP fuel vouchers. Fraudulent actions resulted in loss to WFP; the exact amount was not quantified because of poor record keeping.
Apr 2007	ODK	26/07	Six staff members were involved in the theft of 39,760 litres of fuel in 2006, valued at US\$39,446. The fuel was used to run country office generators. Recovery from the staff members was recommended.
Jul 2007	ODD	34/07	A WFP staff member participated in the theft of 55.9 litres of fuel valued at US\$46. Recovery from the staff member was recommended.
Aug 2007	ODK	37/07	A staff member submitted false medical expense invoices for a total of US\$1,019. Recovery from the staff member was recommended.



ANNEX V

**CATEGORIES OF AUDIT RECOMMENDATIONS¹ AND RISK SEVERITY
2006–2007**

Functional Audits, Headquarters and Field Offices				
Type of recommendation	Low risk	Medium risk	High risk	Total
Compliance	273	190	10	473
Error	46	26	1	73
Guidance	119	89	3	211
Guidelines	39	40	5	84
Resources	27	17	12	56
Total	504	362	31	897

Functional Audits of Information Technology				
Type of recommendation	Low risk	Medium risk	High risk	Total
Compliance	11	25	4	40
Error	-	-	-	-
Guidance	6	9	1	16
Guidelines	3	9	-	12
Resources	1	-	-	1
Total	21	43	5	69

¹ Refers to audit recommendations due for implementation in the biennium 2006–2007.



ACRONYMS USED IN THE DOCUMENT

AC	Audit Committee
ADH	Human Resources Division
ADI	Information and Communications Technology Division
ADMP	Goods and services Procurement Branch
BBC	British Broadcasting Corporation
CAM	Continuous Auditing and Monitoring System
CFOB	Budget and Financial Planning Office
CFOT	Treasury and Payments Office
CIF	cost, insurance and freight
CMEA	Common Monitoring and Evaluation Approach
COMPAS	Commodity Movement Processing and Analysis System
COSO	Committee of the Sponsoring Organizations of the Treadway Commission
DRC	Democratic Republic of the Congo
DSA	daily subsistence allowance
EMOP	emergency operation
EPS	Electronic Payment System
ERM	enterprise risk management
ERMP	Electronic Records Management Programme
FAM	food aid monitor
FAO	Food and Agriculture Organization of the United Nations
FD	Fundraising and Communications Department
FDP	Private-Sector Fundraising Division
FESO	Field Emergency Support Office`
FFW	food for work
HQ	Headquarters
HR	Human Resources
HSHAP	Harassment, Sexual Harassment and Abuse of Power
ICT	information and communications technology
IIA	Institute of Internal Auditors
IPSAS	International Public Sector Accounting Standards
IS	information system
IT	information technology
JIU	Joint Inspection Unit



M&E	monitoring and evaluation
MDTF	multi-donor trust fund
NGO	non-governmental organization
ODB	Regional Bureau Asia
ODC	Regional Bureau Middle East, Central Asia and Eastern Europe
ODD	Regional Bureau West Africa
ODJ	Regional Bureau Southern Africa
ODK	Regional Bureau East and Central Africa
ODP	Regional Bureau Latin American and the Caribbean
ODS	Regional Bureau the Sudan
ODTL	Logistics Service
ODTP	Food Procurement Service
ODTS	Ocean Transport Service
OED	Office of the Executive Director
OEDCM	Office of Change Management
OEDE	Office of Evaluation
OEDR	Results-Based Management Division
OLAF	European Commission Anti-Fraud Office
OSD	Office the Inspector General and Oversight Services Division
OSDA	Office of Internal Audit
OSDI	Office of Inspections and Investigations
PASPort	Personnel Action System Portal
PDPR	Performance and Reports Branch
PIN	personal identification number
PRRO	protracted relief and recovery operation
PSA	Programme Support and Administrative
RMS	Resource Mobilization System
SC–UK	Save the Children UK
SEA	sexual exploitation and abuse
SPR	standard project report
SRSR	Special Representative of the Secretary General
UNCAC	United Nations Convention against Corruption
UNDG	United Nations Development Group
UNHAS	United Nations Humanitarian Air Service
UNHRD	United Nations Humanitarian Response Depot



UNJLC United Nations Joint Logistics Centre
VGF vulnerable group feeding
WINGS WFP Information Network and Global System