

منظمة الأغنية والزراعة للأمم المتحدة



Food and Agriculture Organization of the United Nations

Organisation des Nations Unies pour l'alimentation et l'agriculture

Продовольственная и сельскохозяйственная организация Объединенных Наций Organización de las Naciones Unidas para la Agricultura y la Alimentación

FINANCE COMMITTEE

Hundred and Thirty-ninth Session

Rome, 30 May - 1 June 2011

Report of the Inspector General

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EXECUTIVE SUMMARY

- ➤ In accordance with Article VI (2) (b) (viii) of the WFP General Regulations, this tenth annual report of the Inspector General covering January–December 2010 is presented to the Board for consideration. It gives an overview of the work undertaken by the Oversight Office under the direction of the Inspector General. Along with the strategy, standards, resources, activities and quality assurance, the document also illustrates the assurance opinion provided to the Executive Director and summarizes the findings and recommendations made in 2010.
- ➤ The annual work of the Oversight Office enables the Inspector General to express an opinion as to whether WFP's internal controls, governance and risk management processes provide reasonable assurance that its objectives will be achieved. Audits in 2010 covered 44 percent of WFP's audit-assessed risk.
- As in previous years, the oversight work performed and reported in 2010 did not disclose any significant weaknesses in WFP's internal controls, governance, and risk management processes that would have a pervasive effect on the achievement of its objectives. Accordingly, the oversight work performed concluded that there is a sufficient framework of key controls to achieve objectives, but the controls framework could be stronger.
- Internal audits in Headquarters and field offices noted strengths such as increased attention among managers to internal audit recommendations throughout 2010, renewed interest in implementing enterprise risk management, greater recognition of the risks inherent in operating in severe environments, improvements in information technology governance and continued full interim financial closure.
- ➤ High-risk weaknesses included limitations in internal controls over actions taken during corporate emergencies and inadequate emergency response training and staff briefing procedures. Audits noted uncertainty in decision-making in situations of reduced resources, which highlighted the absence of a corporate strategy for ensuring that contingency plans are in place at the time when a programme is approved.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

➤ The Finance Committee is requested to take note of the "Report of the Inspector General".

Draft Advice

In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to take note of the tenth "Report of the Inspector General".



Executive Board Annual Session

Rome, 6-10 June 2011

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration



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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.

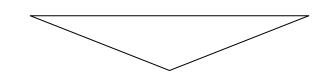
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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).



^{*} Inspector General and Oversight office

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The annual work of the Oversight Office enables the Inspector General to express an opinion as to whether WFP's internal controls, governance and risk management processes provide reasonable assurance that its objectives will be achieved. Audits in 2010 covered 44 percent of WFP's audit-assessed risk.

As in previous years, the oversight work performed and reported in 2010 did not disclose any significant weaknesses in WFP's internal controls, governance, and risk management processes that would have a pervasive effect on the achievement of its objectives. Accordingly, the oversight work performed concluded that there is a sufficient framework of key controls to achieve objectives, but the controls framework could be stronger.

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The Board takes note of "Report of the Inspector General" (WFP/EB.A/2011/6-E/1).

^{*} 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 Office of the Inspector General was established in 1994; its first report to the Board was made in 1996. In accordance with amendments to the WFP General Regulations, reports of the Inspector General are presented annually; this is the tenth such report, covering 2010.

- 2. The Oversight Office (OS) carries out its audit function under the direction of the Inspector General in compliance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors; its investigation function conforms with the Uniform Standards for Investigations.
- 3. This report has four sections: i) the objectives and functions of OS; ii) the assurance opinion for 2010; iii) an overview of activities on audits, inspections, investigations and other advisory services, with observations; and iv) activities planned for 2011.

CONTEXT

Objective and Strategies

4. In support of WFP's Strategic Objectives, OS carries out independent oversight services and provides assurance to the Executive Director on good governance and accountability.

Functions

- 5. The Oversight Office provides assurance to the Executive Director on governance, policy, risk, resources, operations and accountability through independent and objective oversight services. It also facilitates adoption and implementation of United Nations and private-sector best practices to enable managers to provide assurance on their work to the Executive Director.
- 6. The office provides independent internal oversight through internal audits, inspections, investigations and other advisory services, which are carried out with a view to optimizing the functioning of WFP. It reports directly to the Executive Director, and provides information to the Board in the annual report of the Inspector General.
- 7. WFP management is responsible for establishing and maintaining effective internal controls, governance and risk-management processes to ensure that WFP's objectives are achieved. OS provides the Executive Director with an opinion as to the adequacy and effectiveness of these processes.

Resource Allocation and Staffing

8. The budget allocation for OS increased from US\$11.6 million in 2008–2009 to US\$13.8 million in 2010–2011 of which US\$5.8 million (42 percent) were spent in 2010, as shown in Table 1.



TABLE 1: OVERSIGHT OFFICE BUDGET (US\$ thousands)							
	2006–2007 2008–2009 2010–2011						
Budget allocation	dget allocation 9 109 11 652 13 848						
Actual expenditures	9 706	9 598	5 816*				

^{*} Actual expenditure for 2010 only

9. Staff increased from 31 positions in 2009 to 33 in 2010, mainly for inspections, under the Programme Support and Administrative funding for OS.

TABLE 2: NUMBER OF OVERSIGHT OFFICE STAFF									
2007 2008 2009 2010									
Professional	20	20	23	25					
General service	10 8 8								
TOTAL	TOTAL 30 28 31 33								

- 10. Although only two new positions were created in 2010, vacancies and turnover made it necessary to recruit eight new staff in 2010, including the Director of the Office of Internal Audit in February and the Director of the Office of Inspections and Investigations in October. Two professional staff left the office. Two of the new staff were reassigned from other WFP units; six came from outside WFP. At the end of 2010, two professional posts and one general service position remained vacant.
- 11. In addition, three professional staff and one general service staff member were hired from additional resources allocated to OS to implement reform of the United Nations system of administration of justice.

Coordination, Liaison and Outreach

- 12. As part of OS efforts to identify emerging trends, develop innovative practices, promote transparency and facilitate knowledge transfer, it undertakes the following activities.
- 13. Communications are maintained with all relevant divisions in Headquarters. The Office of Inspections and Investigations collaborates in particular with the Ombudsman, the Staff Relations Branch of the Human Resources Division, the Ethics Office and the Legal Office. The Office of Internal Audit collaborates in particular with: i) the Office of Evaluation, by sharing its work plan and relevant results; ii) the Performance and Accountability Management Division, by sharing information on risks and follow-up to recommendations; and iii) the External Auditor, by sharing its audit strategy, work plan and internal audit reports.
- 14. There are regular meetings with the Audit Committee at which OS shares its annual work plan, quarterly reports and internal audit reports.
- 15. Other meetings attended by OS include those of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions, those of the Conference of International Investigators of United Nations Organizations and multilateral financial institutions, and the first joint session of internal oversight functions of Rome-based agencies, the aim of which was to share insights and methods and discuss



opportunities for cooperation; OS also provided information technology (IT) audit training for auditors from other United Nations agencies.

16. The Inspector General is an observer on the Investment Committee, the Staffing Committee, the Management Information Systems Steering Committee, the Committee on Commodities, Transport and Insurance and the Policy Committee; he attends the meetings of the Finance Committee of the Food and Agriculture Organization of the United Nations and the Advisory Committee on Administrative and Budgetary Questions of the United Nations.

ASSURANCE

- 17. The OS assurance strategy and work plan use a risk-based approach. This involves obtaining audit assurance on the processes and sub-processes put in place to manage risks and achieve WFP's objectives. Given that WFP is a decentralized global organization, obtaining reliable audit assurance requires a risk assessment covering the processes in each organizational entity throughout the world. OS then rates and selects the entities and the processes to audit within each one, and identifies the percentage of audit-assessed risk to be covered, in order to provide the overall assurance required. OS's annual work plan is intended to provide sufficient and broad coverage of WFP's key business processes to enable it to form an annual assurance opinion to the Executive Director on whether internal controls, governance and risk management processes provide reasonable assurance in achieving WFP's strategic and operational objectives.
- 18. In 2010 a new risk assessment method was introduced to determine the extent of audit coverage required for 2011. Risks identified in WFP's enterprise risk management are considered in the audit risk assessment, and audit assurance feeds back into enterprise risk management. Individual audits assess the implementation of enterprise risk management, and once it is fully implemented OS will provide independent assurance on the appropriateness of risk-management processes, the effectiveness and efficiency of risk responses and related control activities, and the completeness and accuracy of risk-management reporting.
- 19. The long-term objective of OS is to plan for and conduct sufficient oversight work to reach an overall assurance opinion as to the adequacy and effectiveness of internal controls, governance and risk management processes in terms of achieving WFP's objectives. Until OS reaches this objective, it will provide an alternative assurance opinion.
- 20. Audit coverage in 2010, when analysed according to the new risk assessment method used in the 2011 internal audit work plan, was 44 percent of WFP's audit-assessed risk, and allowed to provide the following assurance opinion:
 - As in previous years, the oversight work carried out and reported in 2010 did not disclose any significant weaknesses in WFP's internal controls, governance or risk management processes that would have a pervasive effect on the achievement of its objectives. Accordingly, the oversight work performed concluded that there is a sufficient framework of key controls to achieve objectives, but the controls framework could be stronger.
- 21. During 2010 there was no management interference in work planning or reporting, resourcing constraints or other issues affecting the independence of oversight activities and the assurance opinion.



OVERVIEW OF OVERSIGHT ACTIVITIES AND OBSERVATIONS

Summary of Main Activities

22. Table 3 shows oversight activities over the past three years. Audits undertaken in 2010 and reports issued in 2010 with the risk rating for each audit are listed in Annex I.

	TABLE 3: OVERSIGHT OFFICE ACTIVITIES								
	Internal Audit Investigation Inspection								
Year	Number of reports issued	Number of audit missions completed	Desk reviews	Advisory services	Number of registered cases	Number of completed cases (at 31.12.10)	Number of cases		
2008¹	45	27	9	55	49	41	1		
2009	20	22	0	36	64	60	1		
2010	31²	24	0	22	89	55	2		

¹ The number of reports issued was significantly higher in 2008 because reporting backlogs were cleared.

23. In addition to internal audits, investigations and inspections, OS receives requests for advisory services. Their significance varied widely in 2010, but in general they related to new policies and guidelines, other United Nations agencies and donor relationships. Major assignments included: i) advice on third-party verification visits from the United States Government Accountability Office and the European Court of Auditors; ii) a review of proposed changes in the transport manual; iii) assistance in the process for the appointment of the External Auditor; and iv) a review of draft Executive Director's circulars on matters such as the Investment Committee, ex-gratia payments and the Management Information System Steering Committee.

Office of the Inspector General

- 24. In 2010, work led by OS to improve the transparency of WFP included development of the policy for disclosure of internal audit reports to States Members and of the anti-fraud and anti-corruption policy; both were approved by the Board at its 2010 Second Regular Session.
- 25. The policy for disclosure of internal audit reports sets out the conditions under which the Executive Director will make WFP's internal audit reports, once issued in final format, available to permanent representatives accredited to the Rome-based agencies. The policy applies to reports issued after approval by the Board. No requests for an internal audit report were received in 2010.

Internal Audit

26. The 2010 work plan of the Office of Internal Audit (OSA) was based on a risk assessment carried out in 2009; OSA completed 78 percent of the work planned. Internal audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.



² This number includes one pre-audit risk assessment report.

27. The work plan envisaged audit coverage of 59 percent of WFP's audit-assessed risk in 2010 in terms of the risk measurement method used in the 2011 internal audit work plan. Actual coverage in 2010 was 44 percent of audit-assessed risk. Audit results reported in 2010 showed unsatisfactory ratings for 22 percent of audit-assessed risk.

28. Nine process areas were defined by OSA, encompassing the entirety of WFP's processes. OSA reported on these process areas in 30 internal audit reports covering activities in 21 countries and at Headquarters. Table 4 shows the number of processes covered and the average risk rating, by process, for 2010 compared with 2009.

TABLE 4: AUDIT PROCESSES AND RISK RATINGS					
	20	09	10		
Process areas	Number of audits covering process area	Average risk rating ¹	Number of audits covering process area	Average risk rating ¹	
Governance	10	1.7	17	2.2	
Risk management	8	1.8	14	1.7	
Financial management and reporting	15	2.1	23	1.8	
Operations and programme management	9	2.3	24	2.0	
Support services	9	1.7	16	2.1	
External relations	2	3.0	3	2.3	
IT applications/networks			5	2.4	
IT infrastructure	4	1.7	4	2.0	
IT projects			2	2.5	
TOTAL	57		108		

¹ Low risk = 1, medium risk = 2, high risk = 3.

- 29. The 2010 audit results show decreased risk in the areas of financial management and reporting, operations and programme management, and external relations. The decrease occurred primarily because 2010 audits focused on the underlying causes of weaknesses in these areas, which led to recommendations for other process areas. Because of this focus, the 2010 audit results show increased risk in the areas of governance, support services and IT, resulting in a spotlight on the governance and other corporate improvements needed to enable transactional and operational improvements. Specific weaknesses are explained below.
- 30. Each audit engagement is rated in accordance with the harmonization of audit ratings in the United Nations system. The results of 2010's engagement ratings are in Table 5, which shows the number of audit reports issued at each rating and the total value of the risks covered by those audits.



	TABLE 5: RESULTS OF 2010 AUDIT ENGAGEMENT RATINGS							
Rating	Definition	Number of reports issued	% of audit assessed risk					
Satisfactory	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.	8	4					
Partially satisfactory	Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that might negatively affect the achievement of the objectives of the audited entity.	18	18					
Unsatisfactory	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that the achievement of the objectives of the audited entity could be seriously compromised.	4	22					
TOTAL		30	44					

- 31. The four audit reports rated as unsatisfactory, which account for 22 percent of the audit-assessed risks, were Somalia and the Sudan (audits carried out in 2009 and reported in 2010), Afghanistan and Burundi. Partially satisfactory reports included operations in Bangladesh, Chad, Haiti and Uganda, where the audit was carried out in 2009 and reported in 2010. This result is not surprising, because audit work focuses on areas considered to be of higher risk. Audit results in 2010 show that reasonable assurance may be at risk in the context of corporate emergencies or large and complex operations. Annex I lists the audit engagements and reports, with their ratings.
- 32. Each audit observation and recommendation is rated in accordance with its risk-assessment method. Table 6 shows the number of audit recommendations issued in 2010, by risk rating.

	TABLE 6: NUMBER OF 2010 AUDIT RECOMMENDATIONS						
Rating	Definition	Number of Recommendations					
Low risk	Issues or areas arising that would, if corrected, improve internal controls. The recommendations made relate to best practices as opposed to weaknesses that prevent systems and business objectives from being met.	Low risk issues are brought to management's attention but not issued in reports.					
Medium risk	Issues or areas arising with regard to matters that have an important effect on the controls but may not require immediate action. The matters observed may prevent a business objective from being achieved, or may leave unmitigated risk that would have an impact on a unit's objectives.	220					
High risk	Issues or areas arising with regard to important matters that are material to the system of internal control. The matters observed might prevent a corporate objective from being achieved or leave unmitigated risk, which would have a high impact on WFP's objectives.	27					
TOTAL		247					



33. Audit reports issued in 2010 contained 27 high-risk recommendations to address weaknesses, all of which have been accepted by management; 9 have been implemented and 18 are in progress.

Strengths and Weaknesses

- 34. Internal Audit noted the following strengths and weaknesses in WFP's internal control, governance and risk-management processes.
- ⇒ Governance
- 35. Governance was reviewed as part of 17 audits in Headquarters and field offices: the processes reviewed in this area related to corporate governance, the management of United Nations relations and partnerships, and performance and accountability management.
- 36. **Strengths**. The main strengths observed related to increased attention by management to internal audit recommendations in 2010 and the establishment of the Management Information Systems Steering Committee.
- 37. **Weaknesses.** Weaknesses were observed in internal controls over actions taken during corporate emergencies and in emergency response training and briefing procedures in one country. Audits in three countries noted uncertainty in decision-making in situations of reduced resources, which highlighted the absence of a corporate strategy to have contingency plans in place at the time of project approval.
- ⇒ Risk management
- 38. The processes of identifying, prioritizing, managing, monitoring and reporting risks were reviewed as part of 14 audits in Headquarters and field offices.
- 39. **Strengths.** The main strengths observed were renewed management interest in implementing enterprise risk management and the conscious recognition of the risks inherent in operating in severe environments.
- 40. **Weaknesses.** The main weakness was that enterprise risk management was not fully implemented in all field offices and Headquarters units in WFP.
- ⇒ Financial management
- 41. The processes relating to accounting and financial reporting, treasury, budgets and costs were reviewed as part of 23 audits in Headquarters and field offices.
- 42. **Strengths.** The main strength observed was the continuation of full interim financial closure. Following the 30 September 2010 financial closure, expenditure on cash and voucher programmes was disclosed distinctly.
- 43. **Weaknesses.** Major issues noted were weaknesses in internal controls over commodity loans, write-offs, resource transfers and contractual agreements, and significant outstanding receivable of sums in value added tax due from some governments, recovery of which is uncertain.
- ⇒ Operations and programme management
- 44. The processes reviewed in 24 audits in Headquarters and field offices related to project management, project monitoring and evaluation, emergency preparedness and response logistics, operational transportation, food and non-food procurement, commodity management and special logistics services (see Table 7).



TABLE 7: OPERATIONS AND PROGRAMME MANAGEMENT AUDITS AND RISK RATINGS OF SUB-PROCESSES						
Sub-process Number of audits covering sub-process Sub-process						
Project management	20	2.0				
Project monitoring and evaluation	13	1.8				
Emergency preparedness and response	1	3.0				
Operational transportation	10	1.9				
Food procurement	8	1.8				
Non-food procurement	16	1.8				
Commodity management	15	1.8				
Special logistics services	1	2.0				
TOTAL		2.0				

¹ Low risk = 1, medium risk = 2, high risk = 3.

- 45. **Strengths.** The main strengths observed were good practices in many country offices in various aspects of operations and internal controls, including the development and implementation of country strategies, good practices in port operations and well managed downsizing in some country offices.
- 46. **Weaknesses**. The main weaknesses noted were weak procurement controls including inadequate vendor verification, lack of a formal strategy for non-food procurement, and in some cases inadequate verification and monitoring of beneficiary numbers. Internal audit continued to reveal weaknesses in the capacities of some cooperating partners, financial and commodity management processes, commodity information systems, transport allocation and management of vendors including short-listing and contracting.

⇒ Support services

47. The processes reviewed in 16 audits in Headquarters and field offices related to human resources administration, asset management, security management, corporate information and travel services (see Table 8).

TABLE 8: SUPPORT SERVICES AUDITS AND RISK RATINGS OF SUB-PROCESSES						
Sub-process	Number of audits covering sub-process	Average risk rating ¹				
Human resources administration	10	2.0				
Asset management	7	1.9				
Security management	9	2.2				
Corporate information	1	2.0				
Travel services	2.0					
TOTAL	2.1					

¹ Low risk = 1, medium risk = 2, high risk = 3



48. **Strengths.** Internal audit observed good practices in the management of assets and human resources in some country offices.

49. **Weaknesses.** The main weaknesses noted were deficiencies in minimum operating security standards for some security phase 3 and 4 locations, and high incidence of international professional staff vacancies in country offices and sub-offices in some insecure areas.

\Rightarrow External Relations

- 50. The strategies for mobilizing resources were reviewed in two field audits: no significant strengths or weaknesses were reported.
- ⇒ Information technology process areas
- 51. The processes reviewed in five audits in Headquarters and field offices related to applications, networks, infrastructure and projects. These were subsequently reviewed in terms of the Control Objectives for Information and related Technology framework created by the Information Systems Audit and Control Association.
- 52. **Strengths.** An improved communications and information platform was rolled out in Headquarters and is to be established in the field. New anti-virus software is centrally managed and includes end-point security and control systems.
- 53. **Weaknesses.** The main weaknesses were noted in IT applications, particularly non-standard profiles in the WFP Information Network and Global System II (WINGS II); control weaknesses in electronic payment systems; weak password management controls which have since been improved; and the lack of a framework for future developments of IT projects. Audit also noted that there was still inadequate assurance as to the adequacy of the outsourced organization's security and configuration controls.
- ⇒ Implementation of audit recommendations
- 54. During 2010, 27 high-risk and 220 medium-risk recommendations were made. Table 9 shows the number of high-risk and medium-risk audit recommendations outstanding at the beginning of 2010, recommendations made and implemented in 2010 and outstanding recommendations at the end of the year.

TABLE 9: STATUS OF AUDIT RECOMMENDATIONS							
	Prior audits 2010 reports Total						
Risk rating	High	High Medium High Medium		High	Medium		
Outstanding at 1 Jan 2010	20	571	0	0	20	571	
Issued in 2010*	0	0	27	220	27	220	
Total	20	571	27	220	47	791	
Implemented in 2010	18	418	9	69	27	487	
Outstanding at 31 Dec 2010	2	153	18	151	20	304	

^{*} Of which 18 high-risk and 105 medium-risk recommendations were issued in December 2010.

55. As part of its enhancement of control and accountability, WFP management instituted a process for the effective follow-up of audit recommendations. The process helps to identify issues requiring a corporate focus and situations where managers' awareness of the importance of internal controls should be increased. It has resulted in a significant reduction of outstanding recommendations compared with previous years.



Inspections and Investigations

56. Inspections provide the Executive Director and senior managers with objective information about field offices and Headquarters units. The main objectives are to: i) assist management in ensuring optimal use of resources and compliance with WFP regulations, rules and policies and Board decisions; ii) facilitate accountability and ensure that monitoring systems are effective; and iii) recommend actions to promote effectiveness, efficiency and integrity.

- 57. Investigations are legally based and analytical processes designed to gather information in order to determine whether wrongdoing has occurred and, if so, the individuals or entities responsible. They are conducted in response to allegations of violations of WFP regulations, rules, standards and other administrative issuances and aim to: i) assess the extent of any loss or damage to WFP; ii) determine responsibility for any loss or damage; iii) prevent further loss or damage; iv) recommend recovery of funds or assets or other corrective action; and v) recommend measures to prevent future loss or damage.
- 58. During 2010, OS issued an updated Investigations Manual that includes best practices and recommendations from the external peer review.
- 59. No formal inspections were undertaken in 2010, but the Inspector General undertook informal inspections of two country offices.
- 60. Table 10 shows the number of complaints received and those converted into cases in 2010, compared with 2009.

TABLE 10: INVESTIGATIONS (2009 and 2010) COMPLAINTS AND CASES								
2009 2010								
	Complaints Cases Complaints Cases							
Outstanding at 1 Jan 2010	122	65	17	69				
Registered during the year	108	64	151	89				
Total 230 129 168 158								
Completed during the year 213 60 155 55								
Outstanding at 31 Dec 2010	17	69	13	103				

- 61. The number of complaints registered increased from 108 in 2009 to 151 in 2010, possibly because the Inspector General's bulletin of December 2009 reminded staff of their responsibility to report fraud and wrongdoing. While the number of complaints increased, the percentage of complaints that were converted to investigations in 2009 (64 out of 108, or 59 percent of the complaints) remained the same in 2010 (89 out of 151, or 56 percent of the complaints).
- 62. Complaints related to IT, harassment, sexual harassment and abuse of power and complaints related to sexual exploitation remained at similar levels (see Annex II); complaints related to food diversions decreased by 33 percent, mainly in reported cases related to West Africa where there had been significant losses in 2009. There was an increase of more than 100 percent in cases of fraud and theft, which may also be related to the Inspector General bulletin of December 2009; this increase was spread across several countries. The number of matters reported to OS that fall into the category of referrals to other offices, consultations and information increased from 18 to 33, partly because OS involved regional bureaux and country offices in collecting information when allegations



were general and lacked specific leads; OS assisted these offices to follow-up issues appropriately.

- 63. The total loss from cases investigated in 2010 was US\$382,458, of which US\$50,200 were recovered in 2010.
- 64. In 2010, OS handled 158 cases and issued 53 reports related to 27 substantiated cases of allegations of staff misconduct for which recommendations for administrative or disciplinary action and improvements to systems with control weaknesses were identified. Alleged misconduct included fraud, theft, attempted theft, forgery, sexual harassment, verbal threats, physical assault, sexual exploitation and abuse, solicitation of bribes, misrepresentation and gross negligence. The numbers of cases brought forward and registered in 2010 and cases completed, outstanding and substantiated at the end of 2010 are shown in Table 11.

TABLE 11: 2010 CASELOAD							
Category	Outstanding at 01Jan 2010	Registered in 2010	Total	Completed	Outstanding 2011	Substantiated	
Harassment/sexual harassment/abuse of power	14	10	24	11	13	3	
Sexual exploitation	1	4	5	0	5	1	
Conflict of interest/bribery	1	1	2	0	2	0	
Food diversion	24	13	37	18	19	6	
Other fraud	4	18	22	4	18	3	
Financial fraud	2	4	6	2	4	3	
Procurement fraud	5	10	15	5	10	2	
Entitlement fraud	2	0	2	0	2	0	
Theft	4	13	17	9	8	5	
IT	2	4	6	1	5	0	
Mismanagement	1	0	1	0	1	0	
Miscellaneous	8	12	20	4	16	4	
Retaliation/whistleblower	1	0	1	1	0	0	
TOTAL	69	89	158	55	103	27	

⇒ Somalia

65. The Oversight Office took part in the Somalia Steering Committee set up by the Executive Director and provided regular feedback on the implementation of recommendations made in the 2009 investigation report.

¹ A case is classified as substantiated when a preponderance of the evidence indicates that at least some of the allegations were determined to be valid.



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66. Most of the allegations made by the Monitoring Group on Somalia in its March 2010 report had been examined previously by OS in investigations in 2009, audits in 2008 and 2009 and inspections in 2007; OS has also requested clarification of incomplete additional information received from the group in November 2010 in support of the other allegations. In early 2011, OS started a follow-up investigation based on new information provided by the Monitoring Group on Somalia and the External Auditor.

- 67. Recognizing that standard operating procedures may not always work in insecure environments, OS recommended that alternative operational modalities be developed, stressing that any framework be based on cost-benefit analysis and a definition of risk tolerance to ensure awareness of the risk and cost of operating in special circumstances. Internal audits in other countries have made similar recommendations. The framework is under development.
- ⇒ Implementation of investigation recommendations
- 68. Of the 80 investigation recommendations issued by OS during the year, 25 had been implemented by 31 December 2010. Many of the recommendations made in 2009 were implemented in 2010, and OS continues to follow up the remainder. The status of investigation recommendations is given in Table 12.

TABLE 12: STATUS OF INVESTIGATION RECOMMENDATIONS								
2008 2009 2010 Total								
Issued	114	120	80	314				
Implemented up to 31 Dec 2010	97	88	25	210				
Not implemented	5	2	1	8				
Outstanding at 31 Dec 2010	12	30	54	96				

69. Table 12 includes recommendations for disciplinary action, 15 of which are still outstanding. It should be noted that the Director of the Human Resources Division reviews recommendations for disciplinary action and, in consultation with the General Counsel and senior managers, determines any action to be taken; the staff member is then provided with the requisite due process.

Preview of 2011

- 70. The Oversight Office will continue to strengthen its internal audit, inspection and investigation activities and processes, and to support various WFP governance improvement initiatives in 2011.
- 71. The Office of Internal Audit undertook a self-assessment in 2010 in preparation for the quality assurance review envisaged for 2011. The OSA internal audit work plan for 2011 is based on a risk assessment involving data from internal and external sources, risk-assessment questionnaires (including one for IT) from auditable entities and discussions with senior managers. WFP's auditable entities were assessed and ranked in terms of high, medium and low risk; other factors taken into account included risks perceived by senior managers, results of previous audit work, the time elapsed since previous OSA coverage, new initiatives and processes, approved budgets, number of staff and information systems. The work plan envisages 33 audits covering business and IT



processes in Headquarters and 21 field offices and coverage of approximately 70 percent of WFP's audit-assessed risk.

- 72. New software to manage investigation cases and recommendations and forensic software for retrieving information from computers will be purchased.
- 73. The inspections function will evolve to meet the objectives of assisting management, facilitating accountability and recommending actions to promote effectiveness, efficiency and integrity. Inspections in 2011 will review systems and processes common to several field offices or Headquarters units that fall outside the audit work plan and for which no allegations of wrongdoing have been received by OS. Updated inspection checklists are being prepared to help managers to assess internal controls.



ANNEX I

Audit engagement		Field work completed		Report issued	Datin of
		2009	2010	2010	Rating ¹
Control objectives for information	rmation and related technology framework	√		√	S
2 IT delivery and support, m	onitoring and evaluation in Mali	V		√	Р
3 IT delivery and support, m	onitoring and evaluation in Ghana	√		√	Р
4 Food procurement activities	es	V		√	Р
5 WFP operations in Chad		√		√	Р
6 WFP operations in Somali	a	V		√	U
7 Limited review of the inter 30 September 2009	m financial statements at	1		√	Р
8 WFP operations in Mozan	nbique	√		√	S
9 WFP operations in the Su	dan (South Sudan Coordination Office)	√		√	U
10 WFP operations in Malaw		√		1	Р
11 Corporate issues, Malawi	and Mozambique	V		1	Р
12 Pre-audit risk assessment	of WFP response to the earthquake in Haiti		1	1	N/A
13 WFP's port operations (the	e Sudan, Kenya and Ethiopia/Djibouti)		√	√	Р
14 Non-food procurement			√	√	Р
15 Special operation: emerge	ency road repairs of key transport routes in the Sudan		√	√	S
16 Cash and voucher initiativ	e		√	√	Р
17 WFP operations in Liberia			√	√	Р
18 WFP operations in Haiti			√	1	Р
19 Office of the Executive Dir	ector		√	√	Р
20 WFP operations in Ugand	a		√	1	Р
21 WFP operations in Georgi	a		√	√	S
22 WFP operations in Iraq			1	√	Р
23 WINGS II post-implementa	ation		√	1	Р
24 WFP operations in Mali			√	√	S
25 WFP operations in Maurita	ania		√	1	S
26 WFP operations in Yemer			1	√	S
27 WFP operations in Bangla	desh		1	√	Р
28 WFP operations in Afghar	nistan		1	√	U
29 WFP operations in the Ga	mbia		1	√	S
Limited review of the inter September 2010	m financial statements for the period ended 30		1	√	Р
31 WFP operations in Buruno	li		1	1	U
32 Insurance function			1		
33 WFP operations in Benin			1		
34 WFP operations in the Su	dan (Darfur)		√		
35 Ocean transport			√		
TOTAL		11	24	31	

¹ S = satisfactory, P = partially satisfactory, U = unsatisfactory

Note: Audit reports in grey are available to members on request under the policy for disclosure of internal audit reports to States Members.



ANNEX II

COMPLAINTS AND CASES								
Catamani	2009		2010					
Category	Complaints	Cases	Complaints	Cases				
Harassment/sexual harassment/ abuse of power	13	9	16	10				
Sexual exploitation	2	0	3	4				
Conflict of interest/bribery	0	1	1	1				
Food diversion	27	20	18	13				
Financial fraud	4	4	4	4				
Procurement fraud	5	5	12	10				
Entitlement fraud	2	2	0	0				
Other types of fraud	7	5	20	18				
Theft	5	4	15	13				
IT	7	3	7	4				
Mismanagement	1	1	0	0				
Miscellaneous	16	9	22	12				
Retaliation/whistleblower	1	1	0	0				
Consultation/information	10	0	13	0				
Referrals	8	0	20	0				
TOTAL	108	64	151	89				

