FINANCIAL AND BUDGETARY MATTERS

Agenda item 4

REPORT OF THE OFFICE OF THE INSPECTOR-GENERAL

January 1998—December 1999
Note to the Executive Board

This document is submitted for information by the Executive Board.

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 the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).
Executive Summary

In accordance with Article VI (2) (b) (viii) of the WFP General Regulations, the Board is provided with a biennial report on inspections and investigations for its consideration and forwarding to the United Nations Office of Internal Oversight Services (OIOS), as required by the Board's decision 1998/EB.3/3. This is the third report of the Office of the Inspector-General (OEDI) and covers the period January 1998 to December 1999.

This document:

- Summarizes the inspections and investigations undertaken, concentrating on commodity losses, fraud and staff security;
- Outlines the steps taken by OEDI to improve accountability and the promotion of a more uniform WFP ethical culture, including the encouragement of staff to report wrongdoing;
- Describes cooperation with other oversight units and host governments, which includes joint training initiatives;
- Provides information on the follow-up to recommendations arising from OEDI's activities; and
- Reports total recoveries, for this period, of US$550,000, bringing to US$4.1 million the amount recovered as a consequence of action by OEDI since its inception in 1995.

Draft Decision

The Board provides its comments on the report by OEDI (WFP/EB.3/2000/4-C); those comments, together with the report, will be forwarded to the United Nations Office of Internal Oversight Services.
INTRODUCTION

1. The Office of the Inspector-General (OEDI) was established in 1995 to minimize fraud, mismanagement and wrongdoing in WFP operations worldwide. In keeping with OEDI’s broad terms of reference and taking into account advice from Executive Management and guidance of the Executive Board, OEDI carries out investigations and inspections of WFP operations. In considering the report of the Office of the Inspector-General at its Third Regular Session of 1998, the Board called for continued awareness-building of the inspection and investigation functions within WFP, and of lessons learned by the Inspector-General, especially in the light of decentralization. Representatives requested that OEDI place emphasis on loss of food in transit, staff security, and on cooperation with host governments and with other United Nations oversight units. Moreover, the Board stressed OEDI’s role in improving accountability within WFP and urged OEDI to take steps to encourage staff, at all levels, to report wrongdoing.

2. OEDI’s annual budget is US$383,625, with two professionals and one support staff during the period 1998-99. Outsourcing, together with the occasional secondment of WFP officers to assist in OEDI work, extended staff capacity, albeit without an increase in the budget. An additional, junior-level, support staff will join OEDI at the end of 2000.

MAJOR ACHIEVEMENTS

3. OEDI has been able to continue fostering a culture of integrity and accountability among WFP staff, who are required to work in very difficult field conditions, often sacrificing personal security and family life to carry out WFP’s mission.

4. OEDI undertook 65 cases during the reporting period. Reports were made of 16 inspections and 15 investigations. Other cases were determined to be unfounded or the case was handled locally with guidance from OEDI. Inspections and investigations were conducted at headquarters and in the field, including visits to numerous regional, cluster and country offices. Field offices visited included those in Afghanistan, Bangladesh, Burundi, Cape Verde, Colombia, Ecuador, Federal Republic of Yugoslavia, Georgia, Haiti, Kenya, Lesotho, Former Yugoslav Republic of Macedonia, Mali, Mauritania, Pakistan, Sudan, Tanzania and Turkey.

5. Recoveries for this reporting period totalled US$550,000. The amount recovered as a consequence of OEDI action since its inception in August 1995 totals US$4.1 million.

6. From its inception to 1999, OEDI has provided management with over 400 recommendations for corrective action, about 200 of which were made during the current reporting period. OEDI reports specify the units responsible for implementing recommendations. Most have been implemented, some are in the process of being implemented. Others have been superseded by changes in circumstances. Implementation is monitored by OEDI follow-up missions and through continued information flow to OEDI from headquarters units and field offices.
INVESTIGATION AND INSPECTION

7. The number of investigations and inspections carried out by OEDI has increased steadily throughout the reporting period. This includes investigation assistance provided to oversight units of other United Nations organizations and to law enforcement authorities of national governments. It also includes inspections of WFP activities in the field and at headquarters in response to risk indicators developed jointly with the Office of Internal Audit. Inspections and investigations have been carried out jointly with other WFP oversight units and with oversight units of other United Nations entities, as well as in cooperation with national authorities. OEDI aims to be proactive through its inspections and responsive through its investigations.

8. OEDI may often have its initial case objective widened to address other issues. This usually occurs when additional risks and wrongdoing are identified during the course of an investigation or inspection. The following section provides examples of cases undertaken by OEDI. For reasons of confidentiality, some have been highly summarized.

Investigations and Inspections Relating to Staff Security

9. In this reporting period, 21 WFP staff died in the course of duty. Of these, nine were murdered, three were killed in the tragic plane crash in November 1999 and nine suffered non-criminal fatalities. OEDI has carried out investigations of several of the murders, in cooperation with local and international authorities. Although no perpetrators have been successfully prosecuted to date, the Executive Director has insisted with host governments and at the Security Council that the perpetrators must be pursued and prosecuted to the full extent of the law.

10. The Office of the Inspector-General has collaborated closely with a multi-disciplinary team in the Security Task Force to develop a “culture of security” within WFP. The task force facilitated the planning and implementation of security awareness training of WFP staff worldwide. Moreover, most field offices were able to extend the training to staff of sister agencies and implementing partners to build awareness of security issues.

11. OEDI works closely with WFP’s focal point for security and with the Office of the United Nations Security Coordinator (UNSECOORD). OEDI has called upon WFP’s and UNSECOORD’S field-based security to assist in investigations and inspections and to provide information and undertake follow-up action on the implementation of recommendations. Measures to improve security through the work of OEDI include wide dissemination of results of investigations relating to security and advice as appropriate. In addition, OEDI contributed to the section in the WFP Country Office Accounting Guide on the security of valuables and cash in transit.

12. In Sudan, the attack on a WFP vehicle and an accompanying vehicle resulted in the death of two WFP employees and one Red Crescent employee and the wounding of four other individuals. The joint investigation of OEDI and UNSECOORD focused on identifying the culprits and assessing the adequacy of security measures in place. As a consequence of a joint inspection carried out simultaneously with the investigation, the following was achieved: improvements in the communications network, new procedures for travel clearance, and improvement of vehicle security. However, at the time of writing this report, the perpetrators had not been brought to justice.
Investigations and Inspections including Commodity Losses

13. Commodity control and warehouse inspections are an integral part of field office investigations and inspections. During the biennium OEDI investigated food losses, among other issues. It is important to note that overall reported losses in the Programme have not increased, notwithstanding the movement of record tonnages of food. Commodity control and accountability for losses have improved through the implementation of OEDI recommendations. Investigations that have proved inconclusive are followed up by local authorities. Inspections covered warehouses, transit facilities and delivery of food to final destinations. Follow-up inspections were also carried out to confirm implementation of recommendations.

Investigation Case A—Cape Verde

14. A school feeding project spanning nine islands in Cape Verde was initially reported to have sustained food losses for about US$1 million, including 1,400 tons of oil, corn-soya blend and rice. An OEDI investigation was conducted in July 1999 with the full cooperation of the regional and country offices, including the regional logistics team. The Government acknowledged that the losses had resulted from unauthorized borrowing from WFP stocks and poor stock control on the part of the government agency charged with food management.

15. A successful reconciliation exercise determined losses to be 870 tons, valued at US$523,000. Following extensive negotiations with the Government, the losses were reimbursed, resulting in a substantial recovery for the Programme. As a consequence of the investigation the agreement with the Government on project activities was revised, together with management practices at the country office.

Investigation Case B—Burkina Faso

16. In April 1999, reports were received from Burkina Faso of illicit, unauthorized sales on the market of WFP commodities from a food-for-work project. The estimated quantity of missing food (canned fish and canned meat) was 717 tons, at a value of US$1,750,000.

17. The regional office took action by removing the canned products from the food basket and replacing them with commodities such as beans and pulses, considered to be equally appropriate, but less likely to be diverted. WFP initiated proactive interventions at the highest levels of Government, including with the Prime Minister. The Executive Director's report on post-c.i.f. losses, submitted to the Executive Board in May 2000 (WFP/EB.A/2000/7-A) referred to this case. In consultation with OEDI, an inventory reconciliation and a local investigation, involving the Burkina Faso Inspector-General, were undertaken. Commodity distribution was suspended pending the implementation of corrective/legal measures. At the time of writing, the Government had not yet implemented the recommendations of the WFP Inspector-General arising from WFP’s investigation. The Executive Director has written to the Government setting out conditions for the resumption of project activities. These conditions included reimbursement of commodity losses.
Investigation Case C—Mali

18. In May 1999 the Offices of the Inspectors-General of WFP and UNHCR investigated jointly the theft of about 20 tons of mixed WFP commodities, valued at several thousand dollars. The joint undertaking of the mission facilitated access to the personnel, records and implementing partners of both organizations. WFP employees were not implicated in the theft, but implementing partners were found to have misrepresented food requirements by inflating refugee numbers. An employee of an international organization was dismissed and others are no longer employed. Lessons learned stressed the importance of having reliable implementing partners who prevent fraud through a proper internal control system and the need for “segregation of duties”. The country offices and sub-offices of both organizations were inspected, resulting in improvements to warehouse and monitoring activities.

Investigation Case D

19. Following allegations and referrals from other WFP oversight units, the Office of the Inspector-General investigated a case of serious misconduct of a WFP Country Director, who had granted an unauthorized loan of US$100,000 from WFP funds to a local businessman. The Country Director had facilitated a contract to the same person for the procurement of goods through the Government implementing partner, concealing his personal involvement. The loan enabled the businessman to supply the goods. The investigation revealed that the integrity of the procurement process had been tainted, even though the goods were delivered. The Country Director is no longer employed by the Programme as a result of the investigation.

Investigation Case E

20. A misappropriation of funds by a WFP Professional Officer totalling US$44,000 was investigated. The Officer had deposited cheques into his personal account. The staff member manipulated the accounts to conceal the action. He is no longer employed by WFP. OEDI, in collaboration with the regional office, is pursuing the individual transnationally for recovery of the money and for possible criminal prosecution.

Investigation Case F

21. A fraud investigation of two local employees found them to have utilized their institutional knowledge of administration and finance for personal gain, controlling local staff and creating a perception that they were the de facto authority in the office. This resulted in abuse of authority and sexual harassment. The individuals were dismissed after the investigation provided evidence that they had defrauded WFP by using the procurement process for personal gain and had grossly abused their authority. The Country Director worked collaboratively with the country office staff during and after the investigation to restore morale. The creation of a new team in this field office has heightened the tone of accountability.

Investigation Case G

22. During the reporting period, the Office of the Inspector-General has investigated a number of complaints of inappropriate use of the Internet by WFP employees. It is recognized that the use of Internet is necessary for employees to implement WFP’s business and is a valuable link to families when working in difficult and isolated field
conditions. During investigations staff usage of the Internet was monitored to determine whether this facility was being abused through inappropriate use.

23. As a byproduct of these investigations, OEDI found that an outside body had erroneously received many electronic communications (via the worldwide web) meant for WFP. Investigations of this entailed examination of e-mail traffic, which revealed that a small number of employees had used WFP resources to view (over an extended period of time) inappropriate websites from WFP computers. Based on OEDI’s findings and advice, WFP has since issued a policy on Internet usage which prohibits viewing inappropriate websites. The policy has been disseminated throughout WFP and compliance monitored. Moreover, WFP has applied technical measures to prevent access to inappropriate websites.

Summary of Inspection Cases

24. OEDI inspections of WFP operations in the field examined a wide range of issues. The focus of each inspection depended on the risks identified and included warehouse and commodity transit points, commodity record-keeping, procurement, finance (especially cash handling), communications network, staffing, aircraft operations, coordination of WFP work with other international organizations and NGOs, food-for-work projects and overall project monitoring. In addition, OEDI has gauged the evolving process of decentralization. Inspection of regional offices determined that the process of decentralization had progressed satisfactorily throughout the reporting period.

25. OEDI carried out several inspections of WFP activities at headquarters. The focus varied depending on the allegations made and risks identified. Among these were conflict of interest, abuse of authority, harassment, procurement process and security-related matters. As a result, several staff members are no longer serving with WFP and others have been disciplined. Also, recommendations made to improve operations, security of premises and movement of employees and cargo have been implemented.

Advice Extended to Staff and Management

26. OEDI has continued to advise Programme managers and staff on the discharge of their responsibility on issues such as the guidelines on standardization and safe utilization of official vehicles and the registration of WFP’s intellectual property, such as the WFP logo. In addition, advice has been afforded to Executive Management and Staff on accepting gifts, participation in political activities, the responsibility of settling debts upon leaving a country, on harassment in the context of WFP’s Commitments to Women, and the export of personal goods.

Lessons

27. OEDI is often asked how it has incorporated lessons into the Programme. First it follows up on the implementation of recommendations by managers; second, it contributes to new and revised policies; and third, OEDI reports are distributed widely to managers. The adoption of recommendations has resulted in the consequent strengthening of WFP’s management culture.

28. The investigations and inspections undertaken in the reporting period revealed instances of harassment. The Executive Director requested the Office of the Inspector-General to
work with the Human Resources Division to incorporate the lessons learned into a new comprehensive policy. The new policy includes a framework for early identification of staff problems, and an apparatus to resolve or contain problems in a timely manner. The policy was included as a model in the presentation materials for the Conference on Ethics and Dispute Resolution in International Organizations, hosted by the World Bank in Washington in October 1999, in which the WFP Inspector-General participated.

29. The continuing challenge, while acknowledging that harassment is not always reported, is to build trust in the system by dealing with issues confidentially and professionally. The multi-cultural composition of WFP staff and its hierarchical structure compound this challenge, which can lead to staff being afraid to report wrongdoing by their superiors. This can be exacerbated by conditions in the field, where local customs in relation to authority and an exaggerated perception of power can lend themselves to potentially abusive situations.

30. Two senior managers were sanctioned by the Programme for reprisals against staff who had reported abuse of authority or wrongdoing. This is an important step towards changing the culture of the organization.

**INSPECTION BY THE UNITED NATIONS JOINT INSPECTION UNIT (JIU)**

31. During this biennium, OEDI was inspected by the JIU in the framework of its assessment of the investigative capability of WFP and other United Nations organizations. The initial observations of the JIU were discussed at the Second Conference of Investigators hosted by OEDI at WFP headquarters in June 2000. The JIU report is under preparation.

**COLLABORATION WITH THE UNITED NATIONS OVERSIGHT BODIES**

32. The evolution of internal oversight bodies in different parts of the United Nations system, coupled with the unique nature of their work, has resulted in a closely knit collaborative environment where experiences and lessons are shared. Several training initiatives among United Nations investigative units have been held. The Office of Internal Oversight Services (OIOS) of the United Nations contracted the Association of Certified Fraud Examiners to conduct a seminar on Locating Hidden Assets, Investigations of Bribery and Corruption, at no fee to OEDI. The forum provided an excellent opportunity for dialogue with counterparts. The FAO Office of the Inspector-General hosted two seminars during the reporting period, which were attended by OEDI. These provided training on, and a platform for discussion of, risk areas and how to address them.

33. During March 1999, OEDI organized a week-long seminar on Investigative Techniques at the Inspector-General Criminal Investigator Academy located at the Federal Law Enforcement Training Center in the United States, for 14 agencies of the United Nations and multilateral financial institutions. OIOS and UNSECOORD were among the agencies represented. The seminar was attended by 31 staff of international entities, including four Inspectors-General and legal officers. This forum provided an opportunity to coordinate the ongoing work of several organizations in developing ethical guidance on the authorities and responsibilities of organizations and employees in the context of the investigations. It also explored the modus operandi of referring cases to authorities for criminal and civil proceedings and the relevant implications for privileges and immunities.
34. OIOS hosted the First Conference of Investigators at the United Nations headquarters in 1999. Agreements were reached on common protocols and modus operandi for future investigations. OEDI hosted the Second Conference of Investigators at WFP headquarters in June 2000.

### COOPERATION WITH INTERPOL

35. OEDI cooperates with Interpol, which was granted observer status before the General Assembly in 1997, and has a Memorandum of Understanding with OIOS. Interpol has extended advice to OEDI on the management of cross-border crime issues, such as how to defend against a scheme which attempted to defraud several United Nations agencies. Other technical services are extended periodically to OEDI; these include forgery and counterfeit analyses, and access to technical expertise and databases.

### ETHICS

36. It is difficult to measure prevention or the preventative effect of the Office of the Inspector-General. Oversight, by its nature, has a certain deterrent effect. A visible oversight office is a reminder that the rules must be observed. OEDI maintains a hot-line facility to enable reporting of wrongdoing which has been added to WFP’s websites.

37. During the first five years of its existence OEDI has become a recognized and accepted component of the management culture at WFP. Ethics and integrity were the focus of the Inspector-General’s presentation at the Global Meeting in Tunis in February 1999. Executive Staff, Regional Managers, Country Directors and other Senior Managers were provided with a forum to discuss principles of ethics, as well as the important role of management in setting a high tone of accountability.

38. The practical application of ethics and integrity was a subject of two focus group meetings held in Rome, one of Regional and Finance and Administrative Officers, and the other of Regional Human Resources Officers. These offered an opportunity for dialogue about lessons learned from investigations and inspections as regards each area of work, and for discussion of interaction between OEDI and staff with finance and personnel responsibilities.

### TRANSPARENCY OF OEDI

39. OEDI has circulated a draft of the Operating Procedures of the Office of the Inspector-General to Executive Staff and Staff Representatives. The purpose of the document is to increase transparency of the procedures and due process applied by OEDI in carrying out inspections and investigations.

### CONCLUSION

40. The achievements discussed in this report are steps along a path towards the most fundamental challenge, which is to build confidence in an institutional culture of integrity and mutual trust, so that individuals do not fear reprisals for asking advice or reporting
wrongdoing, regardless of their status within the organization. The success of the organization in feeding the hungry poor depends on its ability to uphold and promote such an institutional culture and the continued ability to be open and willing to address the challenges faced. The fact that WFP candidly acknowledges and learns from mistakes, and encourages open dialogue and discussion, has been integral to the work of OEDI.