



World Food Programme

The Food Aid Organization of the United Nations

Oversight Services Division

**Quarterly Report
3rd Quarter 2009
July–September 2009**

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I. OVERSIGHT SERVICES DIVISION

Highlights of the major activities of OSD in the 3rd Quarter with the involvement of Inspector General are described below.

1. Recruitment of Director, OSDA – In the third quarter, applications were screened. Short-listed candidates were interviewed and the final recommendation was submitted to the ED.
2. Selection of the WFP External Auditor – OSD is providing support to the EB Bureau on the selection of the next WFP External Auditor for the term from 1st July 2010 to 30th June 2016. In this respect, OSD advised the EBB on the preparation of the document describing the selection process, explained the same at the FAO Finance Committee and the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ), and advised the EBB on the preparation of the Request for Proposal (RFP).
3. Investigations into media reports on alleged food diversions in Somalia – The EB was briefed on the progress of investigations into allegations in the media of food diversions in Somalia.
4. 40th RIAS Meeting – The IG and the OIC OSDA participated in the Annual RIAS Meeting held in Kuala Lumpur, Malaysia in the last week of September.
5. Oversight Strategy – A draft of the Oversight Strategy was prepared for discussions with the Audit Committee prior to Approval by the Executive Director.
6. Information Disclosure Policy – A draft of the Information Disclosure Policy was prepared and circulated to Senior Management for comments prior to finalization.

II. OFFICE OF INTERNAL AUDIT

This section provides an overview of the activities of the Office of Internal Audit (OSDA) in the 3rd quarter of 2009.

1. PERFORMANCE AGAINST WORKPLAN

	Annual Plan	Performed in the 3 rd Qtr	Performed up to end of 3 rd Qtr
Planning			
- Field Audit	17	4	8
- IT Audit	6	2	5
-HQ Audit	9	1	4
Sub-totals	32	7	17
Field work			
- Field Audit	17	4	8
- IT Audit	6	2	5
-HQ Audit	9	1	4
Sub-totals	32	7	17
Reporting			
- Field Audit	17	3	8
- IT Audit	6	3	5
-HQ Audit	9	2	4
Sub-totals	32	8	17

Annex A provides details of Audits and Annex B provides details of Audit Reports.

2. MAJOR FINDINGS OF COMPLETED AUDIT REPORTS

a. COMMODITY MANAGEMENT:

- Inconsistent data and unreliable information systems used for reporting commodity movements, stock balances and food utilization (DPRK)
- Lapses noted in financial and commodity management processes. Numerous anomalies were noted in information systems used for reporting commodity movements and food utilization in the CO (DPRK)

b. RESOURCE MANAGEMENT:

- Lack of resourcing available for EMOP programme (**High risk** - DPRK)

c. PROGRAMME MANAGEMENT:

- Challenging operating environment impacting WFP programme of work. WFP operates in a challenging environment (**High risk** - DPRK)
- Corporate guidance needs to be developed to assist the CO in the implementation of pilot

projects and in mitigating the implications of the CO's risks and challenges (Occupied Palestinian Territory)

- In the absence of corporate standard operating procedures, a more robust operational guideline for the pilot food voucher project is required (Occupied Palestinian Territory)
- Management of CPs and their commodity handling and recording practices needs to be strengthened (Occupied Palestinian Territory)

d. UN REFORM:

- Need to determine the necessity for Change Management in WFP (Review of Management of Change initiatives and Changes resulting from United Nations Reforms)
- Require WFP Management to prepare policy to guide WFP participation/lead in inter-agency humanitarian efforts (Review of Management of Change initiatives and Changes resulting from United Nations Reforms)
- Need to submit report to the EB on challenges faced in implementing UN reforms (Review of Management of Change initiatives and Changes resulting from United Nations Reforms)

e. RESOURCE MOBILIZATION:

- Absence of an updated corporate resourcing strategy for fundraising activities (WFP Fundraising Activities)

f. GOVERNANCE:

- Inadequate work planning and performance review process (WFP Fundraising Activities)

g. TREASURY MANAGEMENT:

- Governance structure and framework needs strengthening (**High risk** - HQ Treasury Management)
- Inadequate corporate treasury systems & operational procedures (**High risk** - HQ Treasury Management)
- Inefficient cash management control processes (HQ Treasury Management)
- Role of the Investment Committee (IC) needs to be strengthened (HQ Treasury Management)
- Lack of formal process for managing risk (HQ Treasury Management)

h. FINANCIAL MANAGEMENT:

- US\$5 million payment made to the wrong Vendor, and errors made in raising WINGS documents (HQ Accounts Payable)
- Advance of US\$300,000 made without a signed contract (HQ Accounts Payable)
- Conflicting provisions pertaining to Delegation of authority between the Consolidated Finance Manual and the CFO Directive 2006/003 (HQ Accounts Payable)
- Vendor balances not reconciled and periodic confirmations not performed (HQ Accounts Payable)

i. RISK MANAGEMENT:

- A systematic risk management process needs to be formalised considering the external constraints and associated risks faced by the CO and its operations (Occupied Palestinian Territory)
- Risk Management process not formalised (WFP Fundraising Activities)

I. IS/IT DELIVERY & SUPPORT

- Inadequate level of control over the project management (WFP Data Center - Phase 2)
- Inadequate assurance about the adequacy of UNICC's security and configuration controls (WFP Data Center - Phase 2)
- Weak control over the verification of actual service utilisation (WFP Data Center - Phase 2)
- EPR function provides an economic, efficient and effective humanitarian ICT support to the WFP and interagency operations (Performance of ICT Emergency Preparedness and Response)

m. IS/IT MONITORING AND EVALUATION

- Existence of adequate controls over ICT EPR processes and delivery of effective ICT emergency services (Performance of ICT Emergency Preparedness and Response)
- Establishment of best practices which enables continuous improvement of ICT EPR processes (Performance of ICT Emergency Preparedness and Response)

3. ACTIVITIES OF THE QUARTER:

1. Audit Activities

1. Field audits were performed in Nepal, Zimbabwe, Chad, Malawi & Mozambique.
2. HQ audits were performed on Food Procurement.
3. One IT audit was performed in the area of IT delivery and support in Mali and Ghana CO and another IT audit of the CoBIT Framework was performed in HQ.

2. Advisory Activities

As depicted in the table below, 6 Ad-hoc requests were received in the 3rd Qtr. All of them were accepted for review using our risk-based screening process.

Ad-hoc type	3rd Quarter 2009	
	Received	Accepted
Beginning balance as at 3rd Qtr	35	28
Policies and Guidelines	2	2
Other	4	4
Total	6	6
Grand Total at the end of 3rd Qtr	41	34

The assignments included the review of the ED Circular on Procurement Delegated Authority, OMH E-learning course, authority for budget revisions for non-food increases, and preparation of an IT Audit presentation for the Regional Bureau Dakar regional IT workshop, and a presentation for OMJ Administration workshop, and preparation of a list of outstanding recommendations on administration for the OMJ Region.

3. Other activities

Other activities which OSDA undertook in the 3rd Quarter 2009.

- a. RCM – (Risk and Control Matrix): Developing standard audit programs for all processes (ongoing).
- b. CAM – (Continuous Audit Monitoring) business data Refresh (ongoing). Troubleshooting exercise performed to identify problems with CAM refresh.
- c. Staff recruitment process: Tests developed, administered, interviews undertaken, and evaluations performed in an effort to fill vacant positions. 4 new staff identified and recruited. Vacancy Announcements for the two P4 positions made in Japan and to the RIAS group. Telephone interviews performed in the 3rd quarter. Final short listing was in progress as at the end of the 3rd quarter.
- d. Commenced the risk assessment exercise which will assist to identify processes and entities to audit in 2010.

4. MONITORING OF THE IMPLEMENTATION OF HIGH AND MEDIUM RISK AUDIT RECOMMENDATIONS¹

The table below shows the status of implementation of audit recommendations up to date. Overall the actual rate of implementation of audit recommendations on high and medium risk issues stands at 73%.

Aging of recommendations by entity area is given in Annex C.

Status of Implementation of high and medium risk Audit Recommendations²

	High Risk	Medium Risk	Total
Opening Balance as of 30-06-2009	34	720	754
New Issues raised in the Quarter*	4	70	74
Issues Implemented / Closed in the Quarter	17	127	144
Closing Balance of Pending Issues as of 30-09-2009	21	663	684

* These figures refer to audits for which the report has been finalized and issued between 1st July and 30th September 2009 (Data Center Phase 2, ICT Emergency Preparedness and Response, OPT Palestine, DPRK, Accounts Payable, UN Reforms, Treasury Management, and Fund Raising Activities).

¹ The monitoring of the implementation of audit recommendations is a continuous process whereby OSDA maintains constant dialogue with management to address both recommendations not yet agreed for implementation and those that management have agreed to implement

² The numbers in the above table represent recommendations which in some cases are issued to more than one unit in the past. OSDA ceased this practice in 2007 and now assigns responsibility for addressing a recommendation to one focal unit

III. OFFICE OF INSPECTION AND INVESTIGATION

This section provides an overview of the activities of the Office of Inspection and Investigation in the 3rd quarter of 2009.

1. WORKPROGRAM

	Complaints	Cases
Outstanding from 2008	122	65
New in 2009 - until June 30th	53	31
- in the 3rd Qtr	25	15
Total	200	111
Closed* - until June 30th	123	17
- in the 3rd Qtr	36	20
Outstanding	41	74

* Out of 159 closed complaints, 46 were converted to cases.

Annex D provides the detailed statistics.

2. MAJOR FINDINGS OF COMPLETED REPORTS

OSDI conducted an investigation involving comments made by a WFP staff member to the Press. Whilst OSDI noted that the policy/protocol for providing information to the Press was known by a number of staff who were interviewed by OSDI, there is no written policy on this. Thus, OSDI recommended that OEDC develop such a policy.

An observation was also made concerning PACE (performance appraisal mechanism). Whilst OSDI noted that the Director, Human Resources Division has communicated the requirement that PACEs should be completed on a timely basis, OSDI recommended that a mechanism is put in place by Human Resources to monitor the compliance rate of managers with respect to PACE completion and that appropriate action is taken in the event of non-compliance.

3. MAJOR ACTIVITIES

OSDI fielded missions to Nairobi (WFP Somalia), Mozambique, Honduras, Algeria, and Thailand during the quarter. Recommendations on control weaknesses concerning these missions will be reported upon completion of reports. Considerable desk work was carried out in preparation for the investigation of allegations of food diversion in Somalia for which a mission to Nairobi was fielded at the beginning of October.

4. IMPLEMENTATION OF OSDI INVESTIGATION RECOMMENDATIONS

The following table illustrates the status of the implementation of OSDI recommendations.

	SIGNIFICANT	MERITS ATTENTION	TOTAL
Outstanding from 2008	33	81	114
New recommendations made in 2009	8	39	47
Total	41	120	161
Implemented/closed in 2009			
- Prior years	24	69	93
- Current year (2009)	6	10	16
Outstanding at 30 Sept 2009	11	41	52

Annex A - Audit activities

- **Completed as at 1st July 2009:**
 1. HQ Audit – Review of WFP's Financial Statements for the nine months period ended 30 September 2008.
 2. HQ Audit of Expenditures of Office of the Executive Director
 3. Functional Audit of WFP Response to Cyclone Nargis – Myanmar Emergency Operation
 4. IT Audit - Availability of WFP Data Centre/Phase 2 (Delivery & support/Monitoring & Security)³
 5. Performance Audit of ICT Emergency Preparedness and Response
 6. HQ Functional Audit of Accounts Payable
 7. Functional Audit of WFP Operations in Kenya
 8. Functional Audit of WFP Operations in DPRK
 9. Functional Audit of WFP Operations in the Occupied Palestinian Territory
 10. IT Audit of WINGS II – Realisation and Testing Phase⁴

- **Completed in the 3rd Quarter 2009:**
 11. Functional Audit of WFP Operations in Nepal
 12. Functional Audit of WFP Operations in Zimbabwe
 13. Audit of IS/IT Delivery and Support, Monitor and Evaluate in Mali and Ghana
 14. Functional Audit of IS/IT Planning and Organisation –CObit Framework Implementation
 15. HQ Functional Audit of Food Procurement
 16. Functional Audit of WFP Operations in Malawi and Mozambique
 17. Functional Audit of WFP Operations in Chad

³ OSDA has completed the audit work. The draft report was issued to clients on 30 April 2009.

⁴ The Audit is completed with the assistance of KPMG consultants.

Annex B - Audit Reports**Table 1 – Status of Audit Reports**

Particulars	2008 Audits	2009 Audits	Total
i) Outstanding Reports brought forward from the 2 nd Qtr 2009	3	6	9
(ii) Audit Engagements completed in the 3 rd Qtr 2009	0	7	7
iii) Reports issued in the 3 rd Qtr 2009	3	5	8
vi) Outstanding reports carried forward to 4 th Qtr 2009	-	8	8

Table 2 – Audit Reports Issued

<ul style="list-style-type: none"> • <u>At the end of 2nd Quarter:</u> <ol style="list-style-type: none"> 1. CAM Laos 2. Sudan 3. Democratic Republic of Congo 4. Financial Statements 5. PABX Billing 6. CAM – Japan, Copenhagen, London, Paris and Berlin 7. The Expenditures of the Office of the Executive Director 8. The WFP Response to Cyclone Nargis – Myanmar Emergency Operation 9. WINGS II – Realisation and Testing Phase • <u>In the 3rd Quarter:</u> <ol style="list-style-type: none"> 10. WFP Fundraising Activities (2008) 11. UN Reform/Management of Corporate initiatives (2008) 12. Treasury Management (2008) 13. Availability of WFP Data Center - Phase 2 (Delivery and Support/Monitoring & Security) 14. Accounts Payable 15. OPT Palestine 16. DPR Korea 17. ICT Emergency Preparedness and Response
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Table 3 – Audit Reports outstanding

<ol style="list-style-type: none"> 1. Kenya (2nd Qtr) 2. Nepal (2nd Qtr) 3. Zimbabwe (3rd Qtr) 4. IS/IT Delivery and Support, Monitor and Evaluate in Mali and Ghana (3rd Qtr) 5. IS/IT Planning and Organisation – CObit Framework implementation (3rd Qtr) 6. Chad (3rd Qtr) 7. Mozambique & Malawi (3rd Qtr) 8. Food Procurement (3rd Qtr)

Annex C – Aged analysis of the High and Medium Risk Audit recommendations

Below table reflects the age of outstanding audit recommendations as at end of 3rd Quarter 2009 broken down into the relevant WFP Regions/HQ. A project is in progress within OSDA to follow-up particularly on the old outstanding recommendations. This exercise resulted in 322 recommendations being implemented and closed in the 3rd Quarter 2009 as reflected in Table 4 above. Further progress resulting from this exercise will be reflected in the 4th Quarter Report.

Risk Severity Code	Entities	Year								Grand Total
	HQ/RB	2002	2003	2004	2005	2006	2007	2008	2009	
High-Risk	HQ					1		4		5
	OMB				1		2	1	2	6
	OMC						2	4		6
	OMJ						1	1		2
	OMS						2			2
High-Risk Total					1	1	7	10	2	21
Medium-Risk	HQ		7	17	17	25	64	75	7	212
	OMB			2	18	16	36	39	16	127
	OMC	1	1	3	2	14	24	23	11	79
	OMD			10	8	4	20	15		57
	OMJ		2	1	9	16	35	49	17	129
	OMP			1	7	12		3		23
	OMS					3	20	13		36
Medium-Risk Total		1	10	34	61	90	199	217	51	663
Grand Total		1	10	34	62	91	206	227	53	684

Annex D – Complaints and cases

	2008		2009 (to 30/09/09)	
	Complaints	Cases	Complaints	Cases
Harassment/Sexual Harassment/Abuse of Power	31	6	9	8
Sexual Exploitation	4	3	1	0
Conflict of Interest/Bribery	6	3	0	0
Food Diversion	29	12	17	11
Fraud	21	10	5	4
Financial Fraud	5	1	4	4
Procurement Fraud	9	3	4	3
Entitlement Fraud	8	3	2	2
Theft	12	4	3	3
ICT	3	2	6	2
Mismanagement	4	0	0	0
Miscellaneous	14	2	14	8
Retaliation/Whistleblower	0	0	1	1
Consultation/Information	14	0	7	0
Referrals	14	0	5	0
Total	174	49	78	46