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**OFFICE OF INTERNAL OVERSIGHT SERVICES
INVESTIGATIONS DIVISION**

**REDACTED
ASSESSMENT REPORT**

ID CASE NO. 0558/04

18 April 2005

OIOS ASSESSMENT MISSION REPORT

The risks for fraud and violations of the United Nations Staff Regulations and Rules in the United Nations tsunami disaster relief programmes in Indonesia and Sri Lanka

I. INTRODUCTION

1. This document reports on the assessment mission carried out in Jakarta and Aceh province in the Island of Sumatra, Republic of Indonesia between 17 February and 2 March 2005 by the Investigations Division of the Office of Internal Oversight Services (OIOS) following discussions, both actual and virtual, with colleagues responsible for investigative activities in United Nations agencies as to how we might jointly address the potential for fraud and corruption in what promises to be a long-term project for the United Nations. The purpose of this mission was to assess the potential for fraud, misconduct, mismanagement, abuse of authority, waste of resources and other violations of the United Nations Regulations and Rules with respect to the resources and staff of the United Nations and others and who are currently deployed and involved on behalf of the United Nations in the Tsunami Disaster relief, rehabilitation and development programmes [TDR]. It was not intended to be an investigation but was designed to provide a means for estimating the potential opportunities for fraud and other abuses to occur; for determining how complaints of wrongdoing can be made in the environment; for ascertaining the critical persons and entities involved in TDR who are those who may be able to identify possible problems and to assist in solving them; and finally, for seeking local advice for preventive and response actions.

2. This document reports on information that was collected and provides analysis of the information as well as descriptions of potential risk scenarios. It also proposes recommendations as to how such risks can be mitigated or even avoided.

3. OIOS had initiated early consultations in January 2005 with agency investigative oversight offices, notably UNDP, UNICEF, UNHCR and WFP as well as the World Bank and OLAF/EC to establish a working group which would be able to consider how we might ensure appropriate investigative responses as required. It was agreed that an assessment mission was needed and should be conducted as soon as possible so that necessary measures could be undertaken to prevent fraud and to detect it early where it does occur. Due to other commitments, none of the other agencies' oversight personnel who were invited were able to join the OIOS team (of two investigators) who undertook the mission. Nevertheless, upon return, the head of the team from OIOS provided briefings to interested agencies in both New York and Geneva. The feedback from those sessions is incorporated into this report.

II. BACKGROUND

4. At approximately 8:00 am on 26 December 2004, an earthquake with a magnitude of 9 on the Richter Scale struck in the Indian Ocean. The epicentre of the earthquake was off the north- west tip of the island of Sumatra. It destroyed most of the city of Banda Aceh and its surrounding areas, the Aceh province and killed an estimated 300,000 people. Minutes after the earthquake, witnesses stated to the OIOS Investigators, the ocean "emptied itself" for about one kilometre from the coast, and about fifteen minutes later a succession of tsunami waves, about five to six metres in height and travelling at over 600 kilometres an hour, struck the land, razing everything and everyone in its path. During the mission OIOS Investigators were informed that Indonesian authorities were still finding about 1,000 bodies per day.

5. The international community was quick to respond, pledging nearly US\$ 1 billion in aid and services within a month after the disaster. The Office for Co-ordination of Humanitarian Affairs (OCHA) estimates that the financial and services requirements needed to restore the affected areas in the immediate future, not including long-term development requirements, is at least US \$ 370 million for Indonesia alone.

6. At the date of this report, the relief work for food distribution, temporary shelter, medical services, education services and other welfare requirements is well underway, and United Nations agencies, NGOs and governments, operating on bilateral arrangements with the Republic of Indonesia, will begin the rehabilitation phase. This phase will include reconstruction of housing, construction of replacement housing, reconstruction of government facilities and provision of health, education, social and economic services to the affected communities. Concerns regarding fraud and corruption activities as a result of the influx of funds have been raised to OIOS along with the role of the military and local police and whether they will be of assistance in addressing such concerns or detrimental.

III. LEGAL BASIS OF OIOS ASSESSMENT MISSIONS

Paragraph 17 of ST/SGB/273 of 7 September 1994 provides for OIOS to initiate activities designed to identify opportunities for fraud in the United Nations. In this regard, Paragraph 17 states:

Activities of the Office in the area of investigation shall also focus on assessing the potential within programme areas for fraud and other violations through the analysis of systems of control in high-risk operations as well as offices away from Headquarters. On the basis of this analysis, recommendations shall be made for corrective action to minimize the risk of commission of such violations.

7. Assessments, unlike reactive investigations, are not initiated to accumulate evidence of wrongdoing, but are designed to gather information which is then subjected to analysis based on experience for the purpose of trying to determine fraud risks. In this case the assessment mission was designed to gather information which would indicate those risk factors for fraud which appeared more likely to occur than not and which could negatively affect the United Nations. Assessments can provide programme managers

with an opportunity to prevent fraud from occurring or to minimize the risk of occurrence and are, therefore, of value to the United Nations system.

IV. METHODOLOGY

8. As is usual investigative practice, the assessment team conducted interviews of those with access to information relevant to assess the risk of fraud including staff of the Secretariat, the Funds and Programmes, government officials and nongovernmental organizations. Observations and the reviews of documents were also employed but to a lesser extent.

9. A mission may be at risk of fraud for a number of reasons; often United Nations funding and other resources are available, and subject to fewer controls due to environmental factors such as lack of banking facilities, the need for urgent emergency measures and the relative inexperience of some staff in the region, in crises or in the United Nations system.

10. All of these factors and variables currently prevail in Aceh province. Most United Nations staff, NGO personnel and government officials with whom OIOS Investigators spoke agree that United Nations missions in Indonesia are exposed to a high degree of risk at this time.

11. OIOS has developed six broad categories of activities conducted throughout the United Nations system that are subject to risk. These categories are Procurement, Finance, Personnel, Assets and Inventories, Management and Programme.

V. RISK ASSESSMENT ANALYSIS AND SOLUTIONS

A. PROCUREMENT

12. Procurement includes the majority of transactions in which the United Nations seeks to purchase goods or services. It also includes situations in which the United Nations arranges with nongovernmental organizations to implement projects.

13. From interviews and observation, OIOS has learned United Nations procurement relating to the tsunami disaster in Aceh province will have three main phases: emergency, reconstruction and rehabilitation, and development. While these three phases are on a continuum, with some overlap, each has particular procurement conditions and needs. For example, the emergency phase necessitated procurements which were not done in accordance with standard procurement practices for items of immediate need such as tents. The reconstruction and rehabilitation phase necessitates procurement for construction or rehabilitation of buildings, and the development phase necessitates procurement for essential infrastructure such as roads and other public works. These different phases also involve other institutions, such as the World Bank and the European Union. Differing financial requirements present different transactional conditions. For instance, large-scale infrastructure projects require governmental involvement while distribution of tents to dispossessed persons in IDP camps may be implemented by an NGO.

Risk Exposure

14. OIOS Investigators interviewed numerous people with extensive procurement experience in Indonesia who advised that procurement there often includes illicit “incentive payments,” such as a 10% add-on to the bid by contractors for payment of bribes to those who can facilitate a project. The United Nations estimates that about US \$ 207 million¹ is required to rehabilitate Aceh province. If a conservative estimate of 30% of that amount is expended on procurement-related activities, which includes a 10% “incentive payment” surcharge, there is exposure to a theoretical loss of just over US \$6 million.

15. OIOS Investigators found that goods and services, particularly at the low end of the market (such as provisions of basic building materials, basic mechanical repairs etc.)

¹ The estimate cost was provided by OCHA in the Tsunami Flash Appeal plan.

in Indonesia are distributed through a territorial supplier system. A supplier who belongs in one territory will not supply a buyer even if the buyer is the United Nations if that buyer happens to be located in the territory of another supplier. A contractor must use only the sub-contractors within a certain group or territory, even though others belonging to another group may be cheaper. Consequently, when the United Nations tries to procure goods and/or services, it may not be possible to find the necessary commercial diversity and numbers of regional suppliers or service providers that it needs to capitalize on competition. This brings another problem: Because of the lack of competition the United Nations could receive bids and quotes, which will seem to come from different bidders, but which will be from the same bidder in order to protect the territorial supplier.

16. In large infrastructure and building procurement, OIOS Investigators were told, staff have noted in every one of their procurement actions, collusion between the winning company and members of Government and/or other contractors. These sources stated that when the collusion is with members of Government, bribes are paid by the winning company and by those companies which receive sub-contracting work from the winning company. Sources also warned OIOS Investigators that if the United Nations is to procure for infrastructure development, it is to expect that the winning contractor will have colluded with other contractors to secure the bid on basis that it was the winning contractor's turn to secure that bid. Moreover, as part of the collusion, the other contractors will have been guaranteed to receive some of the sub-contract works. These sources also stated that because the bid will have been colluded, it will inevitably include at least 10% above and over what the real price would have been for "incentive payments".

17. Project financing, involving water, sanitation and shelter construction, is also reported to be subject to bribery. For example, OIOS was informed of a pricing scheme involving housing projects. A project by an NGO for the construction of 240 houses in the Nias area of North Sumatra was priced at US\$3,000 for a 36 square meter house, while a government project for the construction of 58,000 of the same size houses in the Aceh area was priced at US\$700 *per* square meter for materials alone, raising the price per house to US\$25,000 just for materials.

18. OIOS Investigators received information that government bodies and local NGOs are approaching United Nations agencies as well as foreign aid governmental agencies, such as the NGO 1, NGO 2, NGO 3, for funding to rebuild, refurbish and re-equip their Banda Aceh offices. While these government bodies and local NGOs may well have lost everything to the Tsunami, including their buildings, requests have been made for the same items to many agencies. Without a coordinating oversight body, these governmental bodies and local NGOs may obtain excess office space and up to four times their equipment requirements, including motor vehicles, for re-sale.

19. Those knowledgeable about procurement practices in Indonesia have recommended to the OIOS Investigators that an agency's close involvement with a specific community is essential to decrease fraud, because their experience suggests that the local community leaders want to ensure that their community receives all the supplies, services and funds to which it is entitled so that the expected and greatly needed rebuilding can occur.

Risk Mitigation

20. The first step in risk mitigation in the procurement area is that the United Nations, in consideration of the 10% that contractors may add onto their bids for "incentive payment," is to scrutinize bids closely and to compare prices, both with other agencies and with the local community. Although United Nations agencies have evaluation and verification procedures which are designed to ensure that services and/or goods are delivered as specified and in a timely manner by utilizing progressive payment systems and proper receipt and inspection procedures, these post-award procedures usually are concerned with contract issues, not prevention of fraud. As such, a greater degree of pre-award scrutiny especially for emergency and other non-bid procurement activities will be required.

21. Additionally, to the extent possible, agencies should coordinate procurements to take advantage of economies of scale and to obtain best prices. Contractors need to be put on notice that the United Nations will not accept such corrupt practices and is ready

to try new tactics to prevent them, including procuring goods and services outside the region.

22. For those projects involving construction or major rehabilitation, the United Nations agencies should not only consult on common purchases but also develop a realistic base price and then ask for proposals from bidders to meet this price (meeting quality assurance standards). The supplier who submits the bid closest to the United Nations base price could then be selected in some confidence that the United Nations has sought to protect its resources and obtain the best price. A specialist may need to be hired to evaluate a realistic price for some of the most substantial procurements when no in-house expertise exists, possibly with the help of the beneficiary community. This would obviously be a different way of doing business from the norm, and may be subject to consideration by the agency legal advisors and OLA.

23. The next step in risk mitigation in the procurement area is to eliminate middlemen. The more layers of transactions, the greater the risk that the goods can be diverted, funds expended for other than intended purposes and inferior goods provided. If possible, the United Nations should attempt to deal directly with its targeted beneficiary/client community. For example, in a project involving the distribution of hygiene kits, it may be preferable to seek the assistance of a community leader to select a member of the community to distribute the kits; in a clean water project, the agencies could use community leaders to procure water sourcing and drilling with the assistance of a UN-related technical expert.

24. The next step is to give ample advance notice of intended projects, particularly in the second phase, so that the beneficiary community and potential contractors have time to ascertain the real needs and obtain a realistic understanding of the cost involved. The goal is to utilize the collective input of the beneficiary community to prepare realistic estimates that are not so low that the project's value is jeopardized or so high that "incentive payments," as described above, are built into bids. In addition, knowledge of what United Nations agencies intend to provide creates a policing role by the beneficiary

community, which will demand what is promised, and will create true competition amongst the contractors, making the procurement exercise more transparent.

25. Finally, contractors need to be told clearly that the United Nations will not tolerate fraud and corruption. Even when bids are requested for local procurements under US\$1,000, upon acceptance of a quote, all contractors should be notified of the results of the bidding exercise, along with a statement that if at any time collusion between bidders is found or false paper work is found, such fraud will be reported to local authorities for prosecution and the firm will be debarred from future contracts.

B. PERSONNEL

Risk Exposure

26. The Aceh province is a Muslim community. Alcohol consumption and sexual promiscuity are not tolerated. These are potential problem areas, which could cause international incidents.

27. Since the Tsunami disaster, United Nations agencies have been hiring local staff and engaging the services of NGOs on an expedited basis. As a result, there is neither the time nor the resources to adequately verify the background or bona fides which could allow for the infiltration of terrorists and others with agendas different from that of the United Nations. OIOS Investigators also received reports that some local staff have engaged in the practice of referring other locals for employment, but demanding a kickback from the person referred.

28. Several agencies have been permitting use of their logos by NGOs and implementing and/or operational partners. Consequently, any misconduct or other problem, such as a traffic accident, could be attributed to the United Nations, rather than the NGO or the implementing or operational partner displaying the agency logo. This was suggested by several persons as potentially harmful to the reputation of the United Nations. Further, the logo unless carefully distributed could be used for private gain.

Risk Mitigation

29. The United Nations needs is to establish early on, as it has in other missions, either that no alcohol will be allowed at all or that it will be allowed in limited quantities in restricted United Nations areas pursuant to a host country agreement.

30. Additionally, in this culture, it is especially important that strict adherence to the ban on sexual abuse and exploitation be re-enforced and training on dealing with the local population is provided to all and be site specific.

31. All United Nations agencies in Aceh province should use a common and uniform recruitment policy and vetting system. A single database with information on local staff employees and applicants would create economies of human resources and prevent inconsistencies in hiring practices that could lead to allegations of unfairness and discrimination.

32. All local staff hired should be subject to probation for a period of time, so managers can assure their integrity and competency.

33. Staff should be notified that the payment of referral fees is a violation of United Nations Staff Rules and Regulations. To insure that all staff and especially potential local staff are aware of the rules and the consequences of their violation, local and national staff should complete an integrity questionnaire, designed to identify relationships and to verify knowledge of the rules.

34. United Nations agencies should have a common database for NGOs. Newly-created NGOs, in addition to the usual due-diligence verification requirements (*e.g.* financial records, registration documents, staff lists, references, history of delivery, etc.) should be asked to produce sample documentation such as proposals and terms of reference, under the supervision of a manager. NGOs should also be involved in an interactive exercise concerning United Nations expectations of integrity to ensure that the standards are understood.

35. Agencies should submit a list of NGOs presently and prospectively engaged to The Financial Company for verification of their bona fides, as part of the pro bono activities for the United Nations.

36. Concerning use of United Nations identification by NGOs and implementing or operational partners, the Office of Legal Affairs (OLA) should issue an opinion on the inappropriateness of this practice; agencies should retrieve their logos; agencies should provide OLA with a list of entities which refuse to return their logos; and OLA should formally advise these entities to cease using the logos and that the United Nations is not responsible for any mishaps by these entities.

C. STAFF SECURITY

Risk Exposure

37. Currently the security threat to the United Nations in Aceh province is low, according to United Nations Department of Safety and Security (UNDSS). Most United Nations agencies have their own premises, which are 80% MOS (Minimum Operative Security) compliant. Because of the conflict between the Local Group (and the Indonesian military, the international community must comply with curfew laws and United Nations convoys are not permitted to travel at night. Three World Food Programme (WFP) convoys escorted by the Indonesian military, reportedly have been caught in skirmishes between the Local Group and the Indonesian military.

38. OIOS Investigators were also able to develop information on risks to staff security. As United Nations staff move from their protected common areas and immerse themselves in local life, particularly since there is a local bias against the United Nations [*see the section on Programmatic Matters*] their differences will be noted and individuals possibly targeted. Given that there have been terrorist attacks in Bali and against the Australian Embassy in Indonesia; that terrorists with international links have been convicted in Indonesia for such acts; and that the United Nations has become a target of terrorist acts, it is not unreasonable to assess that the security threat to United Nations Staff and its buildings, although low at the moment, could increase with little or no notice. Local police may not be willing or able to assist for a variety of reasons including political pressures, lack of training, and dependence on the military.

39. OIOS Investigators were advised that representatives of groups who have a record of activity in international terrorism, by action and/or sympathy, are active in Aceh province. With respect to staff security, it was noted that the United Nations agencies in Banda Aceh, United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), United Nations High Commission for Refugees (UNHCR), United Nations Fund for Population Activities (UNFPA), United Nations Human Settlements Programme (UN-HABITAT) and WFP, and soon UNDSS, maintain their own separate facilities, many without a security perimeter. After the bombing at the UN facilities in Baghdad, such practice should not have been allowed, even for short periods of time. Security lapses permit those, who would be inclined to plan harm against the United Nations to hold an operational advantage for surveillance, planning and target selection. Moreover, with these agencies being physically separated, it is difficult to coordinate United Nations policy and information, to organize a rapid evacuation programme and to maintain confidentiality of information when needed. Different communication devices also militate against good security practice.

40. An additional risk posed by the separate housing of the United Nations agencies is that each needs its own agency-specific security. This is problematic because there are different levels of training for security officers; loyalty is to the specific agency, rather than to the United Nations; officers consider the security needs of their agency, rather than that of the United Nations as a whole; and, in general, there is little experience in sophisticated security measures. Again, the lack of overall professional coordination in security gives operational advantage to those who wish to harm the United Nations and raises the risks to the United Nations.

41. One representative of one United Nations agency expressed the view to OIOS Investigators that co-location may be more dangerous to staff than the fragmented situation as it exists in Banda Aceh currently. In explaining this theory the representative stated that if a terrorist were to hit any of the agencies, fewer people would be killed than if the terrorist hit the United Nations building that would house the entire United Nations staff.

Risk Mitigation

42. First, all United Nations agencies in Aceh province should be housed in one limited area in order to better protect staff, to maintain a secure perimeter and to reduce any operational advantage of groups hostile to the United Nations. Second, security should be coordinated solely by UNDSS, rather than by individual agencies, so the overall safety of staff is protected and threat assessment information gathering can be conducted in a more sophisticated and professional manner. Under a centralized system, information can be synchronized, information can be shared, confidential sources can be properly assessed, vetted and registered, and threats identified, prioritized and analyzed. The United Nations DSS must take a leadership role in this area.

43. Additionally, Interpol may be able to provide additional expertise and assistance.

D. UNITED NATIONS REGULATIONS AND RULES

Risk Exposure

44. UN Regulations and Rules can provide procedural solutions to a range of everyday problems that arise in the field. OIOS Investigators found that managers and staff in the Aceh province had an under-developed understanding or knowledge of them. In addition, these avoidable misinterpretations sometimes lead to inconsistent actions by managers, which in turn can lead to lengthy or delayed administrative action, opportunities for misconduct and greater fraud risks to the Organization.

Risk Mitigation

45. It would be beneficial to train managers on the applicable procedures in their areas of responsibility and hold them accountable for them and for endorsing exceptions to them. Also, the current versions of the regulations and rules as well as other instructions, particularly those related to procurement and finance, should be electronically accessible where possible and in hard copy for ease of local reference.

E. FINANCE

Risk Exposure

46. Banking facilities were unavailable in Aceh province due to the Tsunami, obviously creating risk in the field of finance. Although banking facilities have now been reestablished and are functioning in Banda Aceh, a critical risk exposure is the continuing need by United Nations agencies to transport cash, often large sums, to remote locations in order to pay salaries of personnel who work there. The finance officers who deliver the cash, often through inexperience, use official radio channels, which can be accessed by the public, to organize transport and therefore inadvertently provide details of route and destination.

47. Lack of experience by some finance officers as well as certifying and approving officers can create additional risks.

Risk Mitigation

48. All United Nations agencies in Aceh province should place their cash reserves in banks as soon as possible.

49. United Nations agencies need to limit, as far as possible, situations in which United Nations staff transport cash. Local banks should be asked to transport cash to areas where it is to be distributed. Then, any loss through theft or ambush would be the responsibility of the bank. When United Nations staff must transport cash, an escort programme arranged by United Nations DSS should be developed on an expedited basis.

50. Consideration should be given to greater coordination of finance activities by the United Nations agencies to ensure greater availability of trained personnel.

F. ASSESTS/INVENTORIES

Risk Exposure

51. At this point, the assets and inventories of the United Nations in Aceh province are subject to unnecessary accumulation, duplication and amassing of resources, which is inefficient and wasteful. For example: 1) every agency has its own premises, security,

generators and car fleets; 2) agency radio networks are incompatible with those of other agencies; 3) procurement of generic goods and services, such as building materials, stationary, fuel and computing services, cleaning, painting, etc., is at the agency level; 4) procurement of air transport is at the agency level; and 5) leasing of properties is at the agency level, and if United Nations agencies bid for the same properties, prices are artificially inflated. Some United Nations agencies have entered into 12 month leases for properties which are structurally unstable, particularly a problem since earthquake tremors at significant levels continue.

52. With respect to fuel, OIOS Investigators observed that this is an area of both small and major risk, from the street vendors who sell black market fuel from the roadside to the pilfering of considerable quantities of fuel for resale to local businesses. As every agency has its own system of recording fuel use, it is difficult to control or even to assess if UN-owned fuel is being stolen. Other risks appear to be the theft of building materials from insecure sites, the misuse of local day labor for personal matters and the variations in inventory tracking practices in the agencies.

Risk Mitigation

53. Situating all United Nations agencies in a common area and coordinating procurement of goods and services would mitigate the risk of waste of resources. For example, a common secured warehouse and a common secured vehicle repair and housing area could be better protected than small isolated locations. In addition, this would also permit other risk mitigation measures, such as theft of fuel by coloring it, which makes it easily identifiable as United Nations property and limiting use of United Nations materials and locally-engaged staff for a private purpose.

G. PROGRAMMATIC MATTERS

Risk Exposure

54. While every United Nations agency in the Aceh area has a rehabilitation programme, this report does not focus on the individual programmes, but on the risk to rehabilitation programmes as a whole. Presently United Nations presence is accepted and

welcomed, but that may change to resentment, caused by ideological-religious differences. As discussed *supra*, the indigenous Muslim community finds some practices of United Nations staff, such as use of alcohol and casual attitudes disrespectful and abhorrent. Information was received that present in Aceh province are representatives of militant religious groups who are mingling with the international community, covertly filming humanitarian activity with the intent of portraying it as a Christian/Western encroachment on local religious ideology. It is likely that the presence and activities of these groups will increase. In addition, there are currently Christian NGOs operating in the Aceh province whose goal includes proselytizing the local population who may find it difficult to differentiate between these groups and United Nations staff.

Risk Mitigation

55. The risk to programmatic matters is that the humanitarian efforts of the United Nations may be portrayed to the local population by religious militants as attempts to Christianize, westernize and democratize. To protect the reputation and viability of the United Nations and its programmes in this region, emphasis must be on the United Nations' speedy and effective efforts to fulfill basic human needs after this disaster and its humanitarian, non-partisan nature and character of its programmes. NGOs which work with the United Nations should be cautioned about their activities.

VI. FRAUD AND CORRUPTION REPORTING

Risk Exposure

56. There is no fraud and/or corruption prevention reporting system to deal professionally and rapidly in the region with potential or actual violations of United Nations Regulations and Staff Rules. Although most managers from the different agencies OIOS spoke to claimed that they had some reporting system, most, as described by managers, are ad hoc. In some cases, agency managers believe that because the operational manager is under obligation to report complaints to its headquarters, such obligation functions as a reporting system. None of the mechanisms described to OIOS Investigators had the necessary features that a modern transparent and pro-active system

require in order to safeguard the United Nations and its staff against the risk either that unfair allegations would go unredressed or that serious wrongdoing would not be exposed and wrongdoers held accountable. Clearly the United Nations cannot afford to allow this to continue.

Risk Mitigation

57. It is recommended that the United Nations agencies in Aceh province have a central and professional Fraud and Corruption Prevention Centre (FCPC). Managers and staff should be notified of the FCPC and informed that matters reported will be treated expeditiously and confidentially. Those staffing the FCPC, also can provide advice on procedures to deal with fraud, corruption and other violations of the Rules and Regulations. OIOS has found that this type of preventive collection system serves as a repository for information that may be analyzed and used to detect trends and patterns of emerging problems, thus preventing problems before they arise or mitigating their occurrence.

58. Within the FCPC there should be an ethics hot line, to facilitate the reporting of fraud, abuse of authority, waste, mismanagement, or violations of the code of conduct for United Nations staff. The hotline should have three components: a telephone line, a web based complaint system, and a case management system. Since many of the funds and programmes operating in the area already have internet communications capability, a digital hotline would take advantage of this and provide significant economies of scale.

Some of the benefits of a digital hot line include the following:

1. Receiving and storing large numbers of complaints from whistleblowers or informants who want to remain anonymous. Providing a facility for informants to identify themselves if they want.
2. Rapid notification to officials of the FCPC when a complaint is received.
3. Supporting an on-line dialogue with a whistleblower and several officials of an entity who are in different time zones thru the capabilities of on-line web communications.
4. Capacity to immediately classify the types of complaints received, i.e. thefts, abuse of power, harassment, failure to perform duties, etc. Ability to quickly customize the category of complaints to adjust to changing needs.

5. Ability for informant to log in (anonymously) and track progress on his/her case
6. Maintaining a case log of investigation of a complaint – that is keyed to the original complaint. Ability to record the disposition of that case, such as actions taken against the staff member and whether assets were recovered.
7. Quick generation of reports on the complaints that are received and ability to customize reports.
8. Details of a specific case that was reported.
9. Summary of complaints – by geographical area, by organization, by type of complaint, by date
10. Ability to quickly generate reports on cases on an a regular schedule and distribute those reports to officials within an organization

59. Vendors who provide the services of establishing and managing both telephone and digital hotlines for organizations should be approached to determine if the cost is reasonable in comparison to the benefits of having an automated complaint reporting system that would complement the efforts of investigators in the FCPC. In the meantime the establishment of the FCPC is an urgent requirement.

60. Additionally, Interpol maintains a database of information on known criminal enterprises and could be approached to provide advice, information and assistance regarding persons and businesses in the region. Moreover, their contacts with and reputation among police agencies may well serve the interests of the relief programme by providing liaison assistance in cases of fraud and corruption referred to them.

VII. CONCLUSIONS

61. There is a perception in the international community that fraud and corruption are endemic in Indonesia. Even Indonesians in law enforcement, whilst they do not condone it, agree that fraud and corruption are “accepted.” However, Indonesia is a signatory to the Convention on anti-corruption and the perception by Indonesians and members of the international community working there that fraud and corruption are inevitable is unacceptable and must be changed. The risks identified and analyzed in this report, in the areas of procurement, personnel, management, assets and programmatic matters, point to the need of addressing and investigating these risks through appropriate procedures and using experienced professionals.

62. First, the UNDSS must take an immediate and active role in security for all Agencies. The agencies' security coordination should be primary and include being housed in a discrete area in order to coordinate security, as well as other activities. Second, OCHA should coordinate efforts of United Nations Agencies, NGOs and governments to maximize efficient use of resources and procurement activities to rehabilitate life in the Aceh province. Third, a professional and central fraud and corruption prevention reporting system should be established which can professionally and expeditiously analyze and act on information and note trends for early warning purposes. Fourth, the United Nations should have a pro-active approach to risks, anticipating and confronting potential problems, rather than waiting for scandal to occur.

VIII. RECOMMENDATIONS

63. OIOS has provided a number of suggestions for risk mitigation in each area considered. Of these, OIOS believes the following crucial recommendations need to be emphasized and acted upon early:

Recommendation 1: It is recommended that DSS be actively involved in assessing security risks and implementing necessary measures, including staff training and emergency evacuation planning, on an ongoing basis to protect the work of the agencies and the safety of United Nations staff and that DSS be given final decision making authority on security matters, including housing and office locations. (ID Rec. No. IV04/558/01)

Recommendation 2: It is recommended that OCHA arrange to coordinate procurement activities and establish mechanisms as those described in this report to avoid losses due to fraud and corruption. (ID Rec. No. IV04/558/02)

Recommendation 3: It is recommended that a professional Fraud and Corruption Prevention Centre (FCPC) be established, risks monitored, information shared and cases that are reported be investigated immediately and/or referred to the various agencies with the assistance of Interpol as necessary and appropriate. (ID Rec. No. IV04/558/03)

Recommendation 4: It is recommended that the DPA, in consultation with OLA, consider how best to explain the role that the United Nations is undertaking and to ensure that it is well understood that the United Nations does not associate itself with any proselytizing activities of any NGO. (ID Rec. No. IV04/558/04)

Recommendation 5: It is recommended that information regarding funds disbursed to implementing or operational partners be coordinated through OCHA and passed on to PWC to be incorporated into their financial tracking system. (ID Rec. No. IV04/558/05)

Recommendation 6: It is recommended that staff assigned to the region be given training on working in the region so as to avoid misunderstandings regarding cultural differences and to better ensure their own security. (ID Rec. No. IV04/558/06)
