

## **WWF International Board Report on Incidences of Fraud in Tanzania**

Following allegations of fraud in WWF-Tanzania that were raised in December 2011, the WWF International Board engaged Ernst & Young (E&Y) to conduct a forensic audit of four projects run by WWF-Tanzania. As well, E&Y was requested to review progress made toward addressing control weaknesses that were raised in a prior external audit, and they investigated separate allegations of fraud committed by one of the finance staff. Finally, they conducted a separate review of WWF International's overall control framework and management oversight processes, from the Director General level through to the local country level.

The Audit Committee of the International Board recently received E&Y's confidential reports on these investigations and assessments. E&Y's investigations confirmed fraud in all four projects that were reviewed. The amount of fraud is approximately USD400,000; the total funding for the projects involved is around USD15.4 million. Such fraud is unacceptable and we have taken decisive action to terminate the employment of all employees found to have committed fraudulent acts. Eight employees have been terminated, and six have resigned during the investigation or disciplinary process.

Collectively, the E&Y reports and WWF International's own work on the ground over the last five months give us a clear picture of the actions that are needed to address the situation in Tanzania, reduce the risk of fraud and corruption in all of our offices, and further improve our overall control framework and management oversight. A summary of the E&Y reports and WWF International management's actions to address the issues raised in them follows.

While we are aware that WWF is not the first NGO operating in Tanzania to be hit with fraud, we are also acutely aware of the negative impacts of this fraud on our organization, and on our staff around the world who are acting with dedication and high integrity. We are devoting substantial resources toward finalizing the investigations in WWF-Tanzania and implementing stronger controls to minimize the risk of fraud going forward, so that we are able to return to delivering powerful and sustainable conservation outcomes in support of WWF's mission.

### **Summary of reports**

#### **1. Report on two projects funded by the Norwegian Ministry of Foreign Affairs**

E&Y conducted a forensic investigation into the *Strengthening Capacity of Environmental CSOs in Tanzania* (CSO) and *Enhancing Tanzania Capacity to deliver Short and Long Term Data on Forest Carbon Stocks across the Country* (REDD) projects, both of which are funded by the Norwegian Ministry of Foreign Affairs.

This report confirms that all eight project employees submitted fictitious hotel receipts during 2011. The basic mechanism of the fraud is that project employees would claim to stay in a certain hotel but would instead stay in a cheaper hotel, and then submit falsified receipts for higher amounts from the hotel where they claimed to stay. These receipts were pre-printed and of varying quality, and often in the name of real hotels. Less often, employees would obtain actual receipts from the hotel where they stayed but alter the details or amounts.

As well, the allegations against the CSO project covered other activities which were also reviewed by E&Y, including preparation of a website, distribution of laptops, and payments to CSOs that received grants and to trainees. E&Y did not identify any fraudulent transactions in these areas, but did conclude that they had not been properly managed.

## 2. Report on two projects funded by USAID

E&Y's review also covered hotel expenses incurred in the *CBNRM policy implementation programme: Enhancing conservation and community gains through implementation of Wildlife Management Areas and environmental policy* (CBNRM) and *Infrastructure construction support program in Wildlife Management Areas through cash for work* (Cash for Work) projects funded by USAID. Five of the project staff were confirmed to have submitted fictitious hotel receipts during 2011, in a similar arrangement as for the CSO/REDD projects.

## 3. Special investigation report for one finance staff

During the investigation into hotel expense fraud, a whistleblower raised separate allegations against one of the WWF-Tanzania finance staff. One of these allegations, concerning forged signatures on HR-related documents, was confirmed to be true. The individual involved has left WWF. No project funds were involved.

## 4. Assessment of control framework and management oversight

In addition to the above investigations, we engaged E&Y to review WWF International's overall control framework and management oversight processes. Their review looked at controls, particularly those around travel expenses, as they were implemented in Tanzania, and the management oversight and supervision from the WWF-Eastern and Southern Africa regional office and from WWF International up to the Director General's office. The purpose of their review was to assess the "root causes" of the fraud in Tanzania, and to propose recommendations to reduce the risk of fraud going forward.

E&Y's assessment shows us that overall many of the initiatives we have put in place in the past year are the right ones. Almost all of the actions they recommend are already in progress or in the planning stages. However, their review also tells us that:

- full and rapid implementation of the initiatives we have started is essential;
- we must still work on ensuring a consistently strong culture of performance and accountability in all offices (particularly in some of our riskiest operating environments); and,
- we need to apply additional focus and resources to get to a standard in which we can have confidence.

Our action plans and resource allocations for the remainder of this fiscal year (FY12) and for FY13 reflect these results and will allow us to make necessary changes to address these conclusions.

### **Action Plan**

WWF International has prepared an action plan to address control weaknesses in WWF-Tanzania and to strengthen WWF-Eastern and Southern Africa's and WWF International's overall control framework and management oversight processes. In our view, there are several key themes that emerged from the E&Y reviews and our work in Tanzania.

#### Leadership/Performance – 'Tone at the Top'

The Tanzania situation underlines the fundamental role that leadership and culture play in our offices and all the way up the chain of command. While it is important to have effective policies, procedures, audits etc, the fraud in Tanzania has demonstrated how pivotal it is to have the right leadership and culture to bring them to life and to ensure the right tone from all levels of leadership. Actions to achieve these objectives include, among other things, comprehensive training of all office staff and consultants on WWF International's fraud and corruption policy supported by asking for individual sign-on to demonstrate awareness and acceptance of the policy; and on-going communications to offices on fraud and corruption throughout FY13, designed to further embed WWF International's "zero tolerance" approach, and to ensure that staff continue to be aware that we take the issue seriously.

To improve performance and accountability of management teams, activities include improved performance management in WWF through ensuring that managers are better trained on objective setting and performance management techniques; and establishing annual performance objectives for office leaders that address the need to set the right "tone at the top" supporting the zero-tolerance culture.

Further, we are implementing a global whistleblower hotline to give staff the confidence to raise any concerns they have with the protection of anonymity.

## Strong Control Environment

The E&Y reports validated our on-going and planned actions to strengthen local controls and increase monitoring that the controls are implemented effectively. This will include more frequent field office reviews and audits in WWF-Eastern and Southern Africa and other offices throughout FY13, more robust follow-up on internal and external audit recommendations going forward, and a review of reporting lines to ensure strong supervision and support from the WWF International and regional levels, and to maintain proper segregation of duties at the country level.

## Staff training and Retention

The need to attract, train and retain quality staff is always a critical role of leadership. In this context, E&Y highlighted the risk of non-competitive salaries, which are under review in WWF-Eastern and Southern Africa countries. We are also working to develop consistent induction programs for all staff, to ensure that they are aware of WWF's value and mission, our policies, and our stance against fraud and corruption.

## Risk Management

WWF International management announced our decision to overhaul the Internal Audit function in December 2011, and we are about to finalize a revised approach. We are re-reviewing our risk and control matrix. These actions will be complemented by the rollout of enterprise risk management to all offices by end 2012, which will help office leadership better identify and manage risks inherent in their local operations.

## Detailed Controls – Processes and Systems

Importantly, the E&Y reports emphasize the heightened need to implement locally tailored controls beyond the existing control frameworks particularly in high risk locations. To do this, we have engaged an internal controls expert from PwC to assist local management in Tanzania to put in place new procedures to address the risk of fraud in travel and hotel expenses and to implement proper controls.

Shifting to a quarterly or monthly consolidation is a critical priority for us. WWF International is currently considering several systems-based options and assessing each of these options in light of the need to improve local financial processes, controls and reporting, as well as to streamline the consolidation process. We expect to implement the chosen solution in our African offices by end FY13.

We would like to reiterate that WWF is committed to continuing its important conservation work to achieve significant conservation objectives in and around Tanzania. WWF has been taking and will continue to take all necessary actions to follow-up on all confirmed cases of fraud and corruption in line with its policy of "zero tolerance." As part of this, the Audit Committee of the WWF International Board has approved the action plan summarized above and we have asked the Committee to monitor its successful implementation and advise the Board periodically on its view of progress. We will of course reimburse donors for all losses, and we look forward to their ongoing collaboration so that we are able to return to delivering powerful and sustainable conservation outcomes in support of WWF's mission.

Yolanta Kakabadse  
President  
WWF International Board

Jim Leape  
Director General  
WWF International