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# FINANCE COMMITTEE

**Hundred and Sixty-second Session**

**Rome, 23 - 25 May 2016**

**Note by the Executive Director on the Annual Report of the  
Inspector General**

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### EXECUTIVE SUMMARY

- This document presents the Executive Director's comments on the annual report of the Inspector General. It outlines actions to address issues raised in the report, and comments on the work of the Inspector General and the functioning of the Office of the Inspector General.
- The Executive Director welcomes the overall conclusion that the oversight work did not disclose any significant weaknesses in WFP's internal control, governance or risk management processes that would have a pervasive effect on the achievement of WFP's objectives.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the "Note by the Executive Director on the Annual Report of the Inspector General".

#### Draft Advice

- **The Finance Committee advises the WFP Executive Board to take note of the "Note by the Executive Director on the Annual Report of the Inspector General".**

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Distribution: General

Date: 18 May 2016

Original: English

Agenda Item 6

WFP/EB.A/2016/6-E/1/Add.1

Resource, Financial and Budgetary Matters

**For consideration**

Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

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## **Note by the Executive Director on the Annual Report of the Inspector General**

### **Introduction**

1. This document presents the Executive Director's comments on the Annual Report of the Inspector General (WFP/EB.A/2016/6-E/1). It comments on the work of the Inspector General and the functioning of the Office of the Inspector General (OIG) and outlines actions to address issues raised in the report.
2. The following text refers to specific paragraphs and sections in the report.

### **Actions and Comments**

#### **Paragraphs 6 and 8 and Annex I - Assurance Statement and Assurance Strategy Approach**

3. The Executive Director welcomes the overall conclusion that there are no significant weaknesses in internal control, governance and risk management processes, which would have an extensive effect on WFP's objectives. The Executive Director notes some practices that require ongoing improvement. Furthermore, the Executive Director supports the WFP Internal Audit Strategy for 2016–2020, which is aligned with WFP's strategic objectives, the dynamic contexts in which WFP operates, and is centred on forward-looking risk management practices.

#### **Paragraph 5 - Absence of Management Interference**

4. The Executive Director is pleased to note the Inspector General's confirmation of independence and the absence of management interference in the work planning and reporting of the Office; and that no resource constraints or other issues affected the independence of oversight activities or the assurance statement.

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#### **Focal points:**

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**Sections: Internal Audit and Advisory Services; Audit Results and Areas for Improvement**

5. The Executive Director notes the value of the Office of the Inspector General's continued contribution to strengthening WFP controls, governance and risk management. In particular, support to the Supply Chain Division on the Committee on Commodities, Transport and Insurance continues to reinforce critical risk management and business processes on insurance, transport and food procurement. Furthermore, OIG advisory services provided to WFP business units continue to provide value in improving core processes and functions.
6. The Executive Director acknowledges the overall moderate improvement in risk ratings for internal control components and IT processes, summarized in Table 4, which demonstrate management diligence to strengthening risk frameworks and organizational adherence to risk mitigation. This is reinforced by an Enterprise Risk Management policy, country office (CO) risk registers and the Corporate Risk register which is subject to quarterly review by the Executive Management Group.

**Section: Major Themes Arising in 2015 and Emerging Risks Identified for Attention in 2016**

7. The Executive Director takes note of the key risk areas in 2015 and emerging risks identified for 2016 and reports the following progress:
  - *Organizational transformation and adaptation to systemic changes:* WFP recognizes its changing operating landscape, which requires increased complexity in programme design and efficacy of monitoring, evaluation and reporting to donors, partners and national governments. Adapting operational and financial models and business practices is paramount. The Executive Director initiated a Financial Framework Review to revise WFP's budget structure to reduce internal fragmentation, simplify processes and maximize accountability and transparency. This overhaul will also address gaps in HQ frameworks and tools to better enable CO prioritization of activities and resources. The Financial Framework Review has been linked to the development of the 2017–2021 Strategic Plan and the Policy on Country Strategic Plans to ensure comprehensive alignment between systems and programmes. These plans will be submitted to the Executive Board for approval in November.
  - *Cash-based transfers (CBT):* WFP is addressing gaps in the monitoring process through a new CBT Monitoring Toolkit that will be mandatory for all COs as of July. The Monitoring Toolkit is part of WFP's global platform to enable efficient and effective delivery of CBT interventions and provide evidence-based results. The Toolkit includes revised monitoring guidance for data collection, processing, and analysis, and data collection tools that cover: distribution monitoring, retailer monitoring, non-participant retailer monitoring, and post-distribution monitoring.
  - *Oversight role of the regional bureaux:* Recognizing the varying levels of oversight and supervision applied by Regional Bureaux and COs, the Executive Director commissioned the Office of Internal Audit (OIGA) to conduct a study of such processes across the Bureaux. Key trends and lessons learned have been sourced from three such Bureaux reviews. This analysis will inform a work plan to standardize, harmonize and drive accountability on oversight and internal controls.
  - *Information and communications technology:* WFP recognizes technology-based processes and solutions are critical to operational excellence by enabling greater value for money, transparency, and accountability to stakeholders and affected populations. Achieving interoperability among WFP's multiple IT systems is a pre-requisite for WFP to successfully evolve within these domains. The Executive Director has ensured the updated Corporate ICT strategy will address this business-driven priority across six areas: IT in emergencies, cash-based transfers, corporate systems, big data and analytics, innovation and data governance.

***Section: Audit Agreed Actions***

8. The Executive Director is pleased to highlight the continued progress in the implementation of medium and high-risk actions, including a 20 percent decrease of outstanding actions since 2015 and the clearance of all agreed actions dated prior to 2014. This significant improvement presents a trajectory for WFP to follow in 2016, though timelier follow-up is required by WFP business units. The Executive Director further appreciates the refined strategic focus of OIGA reports aimed at assisting management in oversight and risk mitigation activities. The Executive Director acknowledges the Inspector General's valuable role in supporting management in the timely implementation of agreed actions.

***Section: WFP's Internal Audit Capability***

9. The Executive Director applauds the high capability rating assessment of OIGA against the IA-CM framework, which identifies the fundamental requirements for effective internal auditing in the public sector; and supports the inputs of the assessment into the new 2016–2020 Internal Audit Strategy.

***Section: Overview of Activities of the Office of Inspections and Investigations***

10. The Executive Director supports the pro-active and enhanced focus of the Office of Inspections and Investigations on fraud and allegations that contain the highest risks to the organization. To address the high risk area of vendor/third party fraud and procurement fraud, the Executive Director approved a revised Anti-Fraud and Anti-Corruption policy. This has been complemented by a mandatory AFAC e-learning course and on-site fraud prevention training in key COs.
11. The Executive Director strongly upholds a zero-tolerance policy on fraud, corruption, and sexual exploitation and abuse (SEA), as well as a zero-tolerance policy toward sexual harassment in the workplace. The Executive Director has ensured measures are taken to strengthen reporting mechanisms, raise awareness and provide sufficient training on these issues including: mandatory training courses on SEA and harassment, taken by approximately 7,500 personnel; an internal, inter-divisional working group to consider improvements to WFP's internal mechanisms; and WFP participation in inter-agency bodies including a group developing Standard Operating Procedures for inter-agency community-based complaint mechanisms.
12. The Executive Director welcomes and encourages the inclusion of Proactive Integrity Reviews in the anti-fraud assurance work stream, as WFP continues to implement risk mitigation measures at the earliest stages of business processes and operations.