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# FINANCE COMMITTEE

**Hundred and Sixty-seventh Session**

**Rome, 29 - 31 May 2017**

**Annual Report of the Inspector General**

Queries on the substantive content of this document may be addressed to:

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### **EXECUTIVE SUMMARY**

- The “Annual Report of the Inspector General” is submitted to the Board for consideration.
- The Executive Summary of the “Annual Report of the Inspector General” is included within the main document presented to the Committee for its review.

### **GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE**

- The Finance Committee is requested to take note of the “Annual Report of the Inspector General”.

#### **Draft Advice**

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to take note of the “Annual Report of the Inspector General” and notes that the oversight work performed and reported did not disclose any significant weaknesses in the internal control, governance and risk management processes in place across WFP that would have a pervasive effect on the achievement of WFP’s objectives.**
- **The FAO Finance Committee advises the WFP Executive Board to encourage management to take advantage of the opportunities for improvement in various areas highlighted in the report.**

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Agenda Item 6

WFP/EB.A/2017/6-F/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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## **Annual Report of the Inspector General**

### **Executive Summary**

The Office of the Inspector General of WFP submits its annual report, for the year ending 31 December 2016, to the Executive Board.

The report provides an oversight perspective on WFP's governance, risk management and control, and an overview of the activities of the Office of the Inspector General, including the Office of Internal Audit and the Office of Inspections and Investigations.

### **Draft Decision\***

The Board takes note of “Annual Report of the Inspector General” (WFP/EB.A/2017/6-F/1) and notes that based on the oversight work performed and reported in 2016, no significant weaknesses were identified in the internal control, governance and risk management processes in place across WFP that would seriously compromise the achievement of WFP's strategic and operational objectives.

The Board encourages management to take advantage of the opportunities for improvement highlighted in the report.

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\* This is the draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

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#### **Focal point:**

Ms A. Hirsch  
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tel.: 066513-6301

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## Assurance Statement

1. **Mission.** The Office of the Inspector General (OIG) provides assurance on governance, policy, risk, resources, operational and accountability issues through independent and objective oversight services, and facilitates WFP's adoption and implementation of best practices from the United Nations and the private sector, enabling managers to provide assurance on their work.
2. **Scope of work.** WFP's management is responsible for designing and maintaining effective risk management, control, and governance processes to ensure that WFP's objectives are achieved. OIG provides assurance and an opinion to the Executive Director, the Audit Committee and the Executive Board on the adequacy and effectiveness of these processes.
3. The opinion is based on OIG audits, advisory and follow-up reviews completed between 1 January and 31 December 2016. All audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the OIG Charter.
4. In formulating its opinion, OIG has also considered, as appropriate, work conducted by the External Auditor and the United Nations Joint Inspection Unit in 2016; the implementation status of internal audit agreed actions as of 31 December 2016; and systemic issues noted in investigations and proactive integrity reviews completed in 2016. OIG relies on management to advise it of any known instances of potential control failures, irregularities, investigations, business conduct matters or regulatory non-compliance that could be relevant to the control environment.
5. OIG believes that the work it has conducted provides a reasonable basis for its opinion.
6. **Risk-based work plan.** The annual work plan does not include engagement in every business process, legal entity or organizational unit of WFP. Instead, OIG's assurance, advisory and investigative services are selected based on an analysis of material risks to WFP's objectives. The work plan is not designed to provide a comprehensive opinion on the risk management, control and governance processes of any particular programme or process with regard to WFP's strategic, financial, operational or compliance objectives.
7. **Inherent limitations.** Because of the inherent limitations of any risk management, control or governance process, errors or irregularities may occur and not be detected. Additional matters may have been identified – and may have had an impact on the opinion – if additional audit work had been performed. Projections of any evaluation of these processes to future periods are subject to the risk that the processes may become inadequate because of changed conditions or a deterioration in compliance with policies and procedures.

### Opinion

OIG's annual overall assurance opinion provides assurance that based on the oversight work performed and reported in 2016, no significant weaknesses were identified in the internal control, governance and risk management processes in place in WFP that would seriously compromise the achievement of WFP's strategic and operational objectives.

The overall opinion does however identify internal control, governance and risk management practices in individual audit engagements that require improvement – details are available in Section VI of the overall assurance opinion document (paragraphs 26 to 37). The practices requiring improvement do not rise to a level of significance at the institutional level that would seriously compromise WFP's achievement of its overall objectives.

**Anita Hirsch**  
**Director of Internal Audit and Acting Inspector General**  
**March 2017**

## **Overview of the Office of the Inspector General**

### **Mandate and Operations**

8. OIG was established by the Executive Director under Financial Regulation 12.1 and is regulated by a charter approved by the Executive Director. The charter, updated in March 2015, forms an annex to the Financial Rules and has been communicated to the Executive Board.
9. The office carries out its audit function in compliance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and its investigation function in conformity with the Uniform Principles and Guidelines for Investigations endorsed by the Conference of International Investigators. The Inspector General performs the functions of Chief Audit Executive and Inspector General.
10. OIG submits all internal audit, inspection and investigation reports to the Executive Director. A public disclosure policy approved by the Board stipulates the disclosure of internal audit and inspection reports on a public website; reports disclosed in 2016 are listed in Annex I.A. The Inspector General also submits quarterly reports to the Executive Director and the Audit Committee, and this annual report to the Executive Board.
11. OIG expresses an opinion based on the oversight work performed and reports whether any significant weaknesses were identified in the internal control, governance and risk management processes in place throughout WFP that would seriously compromise the achievement of WFP's strategic and operational objectives. The overall opinion also identifies internal control, governance and risk management practices in individual audit engagements that require improvement; while requiring improvement, these practices are not of a level of significance at the institutional level that would seriously compromise WFP's achievement of its overall objectives.

### **Statement of Independence**

12. OIG hereby confirms to the Board its organizational independence. During 2016, there was no management interference in work planning or reporting, and no resourcing constraints or other issues affected the independence of oversight activities and the assurance opinion.

### **Assurance in WFP**

13. To achieve its goal of providing assurance on WFP's internal controls, governance and risk management processes, OIG conducts audits covering diverse business units and processes, including country offices, Headquarters divisions and units, and organization-wide processes.
14. Further assurance is derived from OIG's advisory work and assignments, five proactive integrity reviews (PIRs) and reports on investigations and control weaknesses.
15. Details on audit and other assurance products are provided in the following sections.

### **Activities in 2016**

16. The services provided by OIG in 2015 and 2016 are summarized in Table 1. Their scope includes all WFP systems, processes, operations and activities. Lists of reports issued in 2016 are provided in Annexes I and II.

<b>TABLE 1: OIG ACTIVITIES, 2015–2016</b>					
<b>Year</b>	<b>Internal Audit</b>		<b>Investigations</b>		<b>Inspections</b>
	<b>Audit reports issued</b>	<b>Advisory services*</b>	<b>Registered cases</b>	<b>Completed cases</b>	<b>Issued reports</b>
2015	18	8	69	73	2
2016	20	3	43	50	0

\* In addition to the activities reported here, the Office of Internal Audit (OIGA) provided advice and support to the Committee on Commodities, Transport and Insurance, and management; coordinated and participated as an observer in various committees at Headquarters; and engaged with external stakeholders on behalf of WFP. Other activities included advising management on the single audit principle, ad-hoc audit clauses and donor verifications.

17. Reports of all the audit missions completed in 2016 under the annual revised work plan were issued prior to this annual report (see Annex I). To ensure dynamic assessment of and response to risks, an additional assurance plan was developed in parallel to the 2016 work plan, to provide additional assurance on WFP's Syria +5 operations. Results are covered in this report.
18. In 2016, 43 investigation cases were registered and 50 were completed (Table 8).

### Resources

19. The budget allocated to OIG decreased from USD 7.9 million in 2014 and 2015 to USD 7.8 million in 2016. Actual expenditures accounted for 97 percent of this allocation in 2016, compared with 99.15 percent in 2015.

<b>TABLE 2: OIG BUDGET, 2014–2016 (USD thousand)</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Budget allocation	7 957	7 961	7 859
Actual expenditures	6 730	7 782	7 584

20. The numbers of staff positions remained the same as in 2015. As of 31 December 2016, five professional staff positions remained vacant, with recruitment processes ongoing for four of these: including one P-4 inspections officer, one P-4 investigations officer, one P-5 audit manager and one P-4 internal auditor.
21. The 24 professionals in OIG at the end of 2016 are nationals of 18 countries. All have relevant internal audit or investigations certifications such as Certified Internal Auditor, Certified Public Accountant, Chartered Accountant and Certified Fraud Examiner.

<b>TABLE 3: OIG STAFF NUMBERS, 2014–2016</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Professional	31	29	29
General service	5	5	5
<b>Total</b>	<b>36</b>	<b>34</b>	<b>34</b>

## Overview of Activities of the Office of Internal Audit

### Internal Audit and Advisory Services

22. The Office of Internal Audit (OIGA) provides the Executive Director with independent and objective assurance and advisory services. These services are designed to improve WFP's operations and help WFP to accomplish its objectives by evaluating its risk management, control and governance processes, and suggesting improvements.
23. As part of OIG's process for providing assurance to the Board and the Executive Director, OIGA examines and evaluates the adequacy and effectiveness of WFP's overall internal control, governance and risk management processes, and the performance of individual units in delivering on their responsibilities. OIGA aims to provide assurance that:
  - resources are utilized as intended by donors and management;
  - resources are used efficiently and effectively;
  - assets are safeguarded; and
  - corporate information is accurately processed and reported.
24. In 2015, OIGA developed a new Internal Audit Strategy (2016–2020), implementation of which started in 2016. The strategy reflects a shift to thematic and process audits while maintaining an appropriate field presence by: i) carrying out audits of country offices classified as "high-risk" and some classified as "medium-risk" (see paragraph 27); and ii) ensuring the efficient use of audit resources by including selected samples of country offices in thematic or process audits. The strategy also focuses on talent management within OIGA. During 2016, a Talent Management Strategy was developed with a focus on learning and development. In developing the strategy, OIGA took into consideration an assessment of its activities against professional good practices using an internal audit capability model developed by the Institute of Internal Auditors. Overall, OIGA was assessed as "Managed" (level 4 of 5), which means that the office has institutionalized internal audit good practices, allowing it to integrate information from all of WFP to improve governance and risk management practices. The internal audit capability model also identified areas for improvement in professional practices, people management and governance structures, which has influenced the new strategy.
25. An external assessment conducted in 2016 assessed OIGA's alignment with the International Standards for the Professional Practice of Internal Auditing and its effectiveness in carrying out its mission in line with its charter and the expectations of WFP's management. The assessment also identified opportunities for enhancing OIGA's management and work processes, and its value to WFP. It concluded that internal audit activities "generally conform" to all 51 professional standards and confirmed that OIGA's internal audit activities demonstrate a high level of effectiveness and maturity.

### Risk-Based Audit Plan

26. OIGA's assurance activities follow an annual risk-based audit plan approved by the Executive Director in consultation with senior management and reviewed by the Audit Committee. As required by the international standards, a documented assessment of WFP's "risk universe" is carried out every year to determine the priorities for internal audit, consistent with WFP's goals. This assessment links WFP's major processes to the critical risks identified, assessing the probability and potential impact of the risks and using this information to select the areas and entities to be audited.
27. OIGA has developed an audit universe covering 180 organizational entities: 83 field entities; 83 are Headquarters entities, processes, regional bureaux and liaison offices; and 14 are ongoing corporate emergencies. A separate assessment detailed the information technology (IT) audit universe, with 60 entities, processes and applications. Each of these WFP auditable entities was assessed according to the potential impact of each risk on WFP's operations and the probability of the risk occurring. The entities were then ranked on a three-point scale – high-, medium- and low-risk. The risk factors used in the assessment were amended following consultation with regional bureaux and are classified as indicators of either the impact if the risk

materializes, or the likelihood of the risk occurring. Inputs were obtained from regional directors, division directors and members of the Executive Management Group on strategic risks and major organizational developments, and adjustments were made accordingly.

28. OIGA's assurance plan focuses on the most significant risks as they apply to the audit risk universe. OIG's work plan is not designed to provide a comprehensive opinion on the risk management, control and governance processes of any particular global programme or process with regard to WFP's strategic, financial, operational or compliance objectives. In line with its Internal Audit Strategy and considering available resources, OIG covers the top ten risk areas identified in its annual risk assessment over a period of two years, carrying out audits of specific processes and themes. Based on dynamic assessment of and response to risks, an assurance plan was developed in parallel with the 2016 work plan to provide additional assurance on WFP's Syria +5 operations.

### Major Issues Identified in 2016 and Assurance Coverage Planned for 2017

29. The 2016 work plan provided balanced coverage of field entities and Headquarters processes. During the year, 20 assignments were completed, of which 10 were thematic and process audits, 8 were field operations audits and 2 were IT audits. Details of audits carried out and reports issued in 2016 are provided in Annex I.
30. Each audit was rated according to a harmonized scale for United Nations funds and programmes. Table 4 shows the number and ratings of audit reports issued in 2016.

<b>TABLE 4: RATINGS FROM AUDIT ENGAGEMENTS IN 2016</b>	
<b>Rating</b>	<b>Audit reports/engagements</b>
Satisfactory	-
Partially satisfactory	17
Unsatisfactory	2
Not rated	1
<b>Total</b>	<b>20</b>

31. In its risk-based definition of areas to audit, OIG focuses on critical risks and processes, where its assurance and identification of corrective and mitigating actions will provide the greatest value added and have the most impact. Engagements are selected based on an analysis of material risks to WFP's objectives. The distribution of ratings and the absence of satisfactory audit reports in 2016 reflect OIGA's risk approach, not WFP's performance.
32. This section presents an overview of important issues emerging from assurance assignments carried out in 2016. It focuses on identifying critical risk areas and trends, and describing further assurance work planned for 2017. Paragraphs 33 to 38 present the most significant issues while paragraphs 39 to 45 detail issues of less significance.
33. *Maturity of organization-wide risk management and management oversight.* The audit results for 2016 suggest that while a risk management framework is in place, it has yet to be effectively used to drive risk-based dialogue and decision-making. Several audits highlighted the need to strengthen organizational risk assessment and management processes, tools and guidance, including fraud risk assessment, and to ensure that these are embedded in WFP's day-to-day operations. Advisory work on oversight functions of regional bureaux allowed for stronger engagement with management on: i) corrective actions to integrate risk management tools at the country office and regional bureau levels; and ii) utilizing enterprise risk management processes to inform the oversight functions of regional bureaux. An audit of enterprise risk management is included in the 2017 work plan.



34. While examples of effective management oversight mechanisms were highlighted during the year, the need to establish, strengthen or clarify management oversight processes highlights the broader need for improvements at Headquarters and regional bureaux. OIG's advisory work underscored the necessity of clarifying definitions and responsibilities related to management oversight – the “second line of defence” and ensuring that appropriate resources and tools are available. In 2017, OIGA will continue to focus on this area as it implements its Internal Audit Strategy. This will involve, where appropriate, covering management oversight mechanisms in thematic audits, including for Level 3 emergencies.
35. *Gradual improvement in cash-based transfers.* As in recent years, OIG continued to focus on cash-based transfer (CBT) processes and related areas in 2016. Work carried out in 2016 took into consideration the developments in guidance and internal controls associated with CBTs, and there were reasonable grounds to recognize gradual improvement. Issues arising from assurance work during the year included reconciliation controls and custody of e-cards; processes and controls related to the selection, contracting and monitoring of retail outlets used for CBT operations; and risks associated with outsourcing important CBT-related processes. CBTs will continue to be a major focus area for OIG, with an additional CBT-related audit included in the 2017 work plan along with audits of country offices utilizing CBT-based interventions.
36. *Stretched capacity for emergencies, including the Integrated Road Map.* WFP's ability to handle several emergencies simultaneously poses major risks. In 2016, emergencies included six Level 3 emergencies and an organizational transformation project, the Integrated Road Map, to which Level 3 emergency protocols have been applied to ensure management attention. The risks include: i) overstressing resources throughout WFP; ii) concerns regarding the adequacy of WFP's emergency management capacity to cope with such multiple demands; iii) an inability to scale up initial emergency responses when required; and iv) the de-prioritization of other important initiatives. Several audits during the year highlighted the need to reinforce understanding of roles and responsibilities within WFP, and to assess the effectiveness of protocols and regulations for concurrent management of several emergencies within a single region.
37. A variety of audits highlighted the risk that other important areas of work may be de-prioritized or under-resourced given the high number of emergencies and transformation processes. There are concerns that emergency response may delay some essential changes and have impacts on WFP's capacity to transform its business models. In 2017, OIG will continue monitoring the risks related to emergencies and transformation initiatives, including through audits of WFP's operations in Yemen, the Nigeria emergency response and implementation of the Integrated Road Map and Financial Framework Review. In addition, two country offices presenting country strategic plans in 2017 will be audited.
38. *Gaps in workforce planning and talent management.* According to WFP's application of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, staff capacity forms part of the organizational control environment and is the foundation of all other components of internal control. The thematic audit of human resources management in country offices, which took place in the second half of 2016, highlighted significant gaps in workforce planning and talent management. Audit results indicated the need for organizational guidance in this area and drew attention to issues associated with the use of service contracts. The need to streamline contracting processes and improve WFP's recruitment, compensation and management of consultants and short-term professionals was also highlighted through OIG's advisory work. These observations were reinforced by other audit findings during the year, including the audit of the Yemen operations. They indicated significant room for improvement in staff deployment to support the scale up of emergency operations; the effectiveness of workforce planning; and other staff-related issues.

39. *Procurement.* A variety of procurement-related issues arose in several audits conducted in 2016 and from PIRs. OIG noted the need to review delegations of authority and the roles and responsibilities of all actors involved in procurement; strengthen vendor selection, management and suspension procedures; and develop policies, procedures and internal controls related to subcontracting.
40. *Information technology.* The review of WFP's enterprise resource management system and Windows Active Directory concluded that while internal controls had been established, weaknesses remained in control of access, monitoring of incidents and segregation of duties. Implementation of a governance, risk and control module in the first quarter of 2017 was likely to address some of these gaps. Risks related to the development and number of applications used by WFP, which were noted in past IT and country office audits, remain a concern. OIG has begun revising its approach to these risks and in 2017 will focus on IT processes and support as business enablers. It will work with the Information Technology Division to identify information technologies that can simplify operational processes.
41. *Monitoring and data to provide evidence of results.* OIG noted the flexibility and extended reach offered by the use of third-party monitors working with WFP's guidance. It also noted positive developments that improved monitoring such as the introduction of standard operating procedures, innovative triangulation mechanisms and other tools. However, consistent with the corporate risk register, risks were identified related to producing and collating reliable data to demonstrate results. Assurance work pointed to the need for improved reporting and guidance on data analysis that can assist country offices in designing and implementing appropriate controls. In 2017, the focus on monitoring processes will be maintained in country office audits and through a thematic audit on strategic reporting and decision-making, and select key performance indicators.
42. *Beneficiary management, targeting and verification.* Incremental progress was noted in some country offices on issues related to targeting and verification through family profiling exercises and the introduction of biometric registration and verification technology. There was also progress on the implementation of mobile vulnerability analysis and mapping (mVAM) for food security surveys that collect and provide data on food availability, access, utilization and stability, including coping strategy indices. Concerns were raised regarding the need to obtain assurance for the verification of beneficiary lists and to carry out periodic reviews and re-verification of beneficiary data. In 2017, OIG will focus on these and related issues in thematic audits of beneficiary management and VAM.
43. *NGO partnerships.* Relationships with non-governmental organizations (NGOs) are becoming more complex and varied as they are scaled up to reach more beneficiaries efficiently. Significant efforts are being made to improve engagement with these partners, including a revised format for the annual partnership consultation. At the same time, audit reports in 2016 recorded several observations related to improving partnership management. These issues included performance and the need for strengthened guidance in areas such as due diligence and risk assessment on entering into partnerships.
44. OIG will continue to focus on this area throughout 2017, primarily through scheduled country office audits that include review of cooperating partners' reviews.
45. *Third-party relationships.* Along with the increasing importance of NGO partnerships, in 2016 OIGA also noted an increasing reliance on a complex and varied range of third parties. Attention was drawn to related risks by several audits in 2016, all of which highlighted the importance of controls in partner assessment, contracting and performance management. The focus on this area will continue in 2017 to identify how third-party risks are managed.

#### **Audit Agreed Actions**

46. Internal audits recommend actions for overcoming weaknesses found in the audited entity's processes. These actions are discussed and agreed on with management, and addressed with the entity's manager or director. The numbers and ratings of agreed actions stemming from internal audit reports issued in 2016 are provided in Table 5.

<b>Rating</b>	<b>Definition*</b>	<b>Number of agreed actions issued in 2016</b>
High risk	Issues that are material to WFP's internal control system These issues may be the cause of non-achievement of a corporate objective or result in exposure to risk that, if unmitigated, could have a high impact on corporate objectives	37
Medium risk	Issues that significantly affect controls but may not require immediate action These issues might prevent the achievement of an objective of the audited entity or result in exposure to risk that, if unmitigated, could have an impact on the achievement of the entity's objectives	145
<b>Total</b>		<b>182</b>

\* Low-risk issues are brought to management's attention, but are not included in final audit reports. OIG does not track implementation of low-risk agreed actions through the standard system for monitoring of implementation of audit recommendations.

47. Management has continued to make progress in implementing agreed actions (Table 6): the number of open actions at the end of 2016 was 9 percent lower than at the end of 2015.
48. Of this total, open medium-risk agreed actions decreased by 13 percent compared with 2015 while open high-risk agreed actions increased by 50 percent. This large percentage increase in open high-risk actions – bringing the total to nine actions – reflects the greater number of high-risk actions issued in 2016 compared with previous years (Table 6), largely as a result of increases in audit coverage and in thematic and organization-wide audits.
49. By 31 December 2016, all agreed actions issued before 2014 had been cleared and only six from 2014 remained open – an improvement from previous years. In 2017, OIGA will continue to work with management to monitor overdue and outstanding agreed actions, and ensure that they are promptly closed.

	<b>High risk 2015</b>	<b>High risk 2016</b>	<b>Medium risk 2015</b>	<b>Medium risk 2016</b>	<b>Total 2015</b>	<b>Total 2016</b>
<b>Open on 1 January</b>	23	18	244	195	<b>267</b>	<b>213</b>
Issued in January–December	13	37	124	145	<b>137</b>	<b>182</b>
<b>Total</b>	<b>36</b>	<b>55</b>	<b>368</b>	<b>340</b>	<b>404</b>	<b>395</b>
Closed in January–December	18	28	173	171	<b>191</b>	<b>199</b>
<b>Outstanding</b>	<b>18</b>	<b>27</b>	<b>195</b>	<b>169</b>	<b>213</b>	<b>196</b>
Of which: Open	13	24	161	98	<b>174</b>	<b>122</b>
Overdue (past implementation date)	5	3	34	71	<b>39</b>	<b>74</b>

## Overview of Activities of the Office of Inspections and Investigations

### Investigation Services

50. The Office of Inspections and Investigations (OIGI's) mission is to provide independent and objective oversight to protect the integrity and improve the efficiency and effectiveness of WFP's operations. The office is also responsible for detecting and deterring fraud, waste and abuse through investigations, inspections, and PIRs.
51. In November 2016, OIGI released new investigation guidelines<sup>1</sup> to provide WFP staff, partners and vendors with more transparent and accessible guidance on obligations and processes. It has also worked to increase in-house capabilities by completing external training on forensics and other counter-fraud skills.
52. Under WFP's Vendor Sanction Policy, approved on 15 December 2015,<sup>2</sup> OIGI has an active role in the sanction mechanism as the main provider of information on violations of procurement rules.
53. In 2016, OIGI increased its analysis of inherent risks and weaknesses in fraud and corruption controls as identified through reviews and its regular investigation activities, and reported to WFP management. It now issues management information notes and reports on control weaknesses that assess these weaknesses. Nine reports on control weaknesses and management information notes have been issued since the policy took effect.
54. In 2017, OIGI aims to enhance its focus on the risk of fraud and corruption. It will conduct regular lessons-learned sessions on controls to prevent fraud and corruption at regional bureaux and country offices.

### Proactive Integrity Reviews

55. In 2016, the focus on fraud and corruption was embedded and operationalized through the piloting of PIRs. The OIG Charter and the Anti-Fraud and Anti-Corruption Policy, approved by the Board, established PIRs as a tool for assessing the susceptibility of WFP business processes and operations to fraud, corruption and other wrongdoing.
56. Through the pilot initiative, OIGI completed five PIRs in 2016 (details are provided in Annex II.B). Areas reflecting heightened risk of fraud included beneficiary validation and verification; oversight of the use of electronic CBT cards; food procurement; oversight of vendor and retailer management in country offices; and conflicts of interest. In 2017, a review of lessons learned from the PIR pilots will identify improvements to be applied during the mainstreaming phase, and support the drafting of a PIR manual.

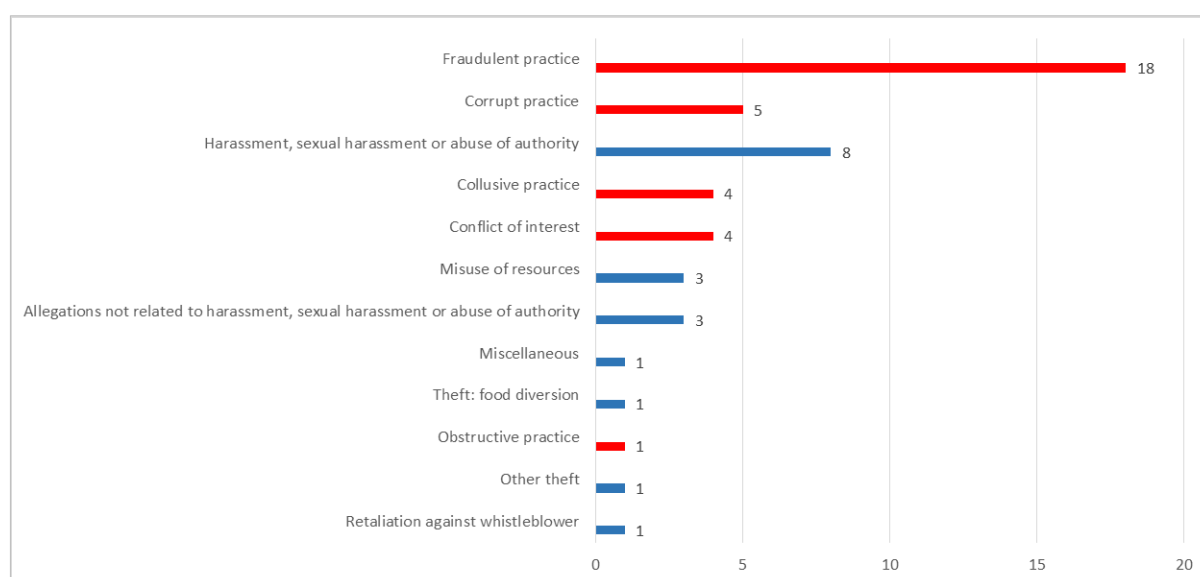
### Results of Investigations

57. An investigation is a legally based, analytical process for gathering information to determine whether misconduct or wrong-doing has occurred and, if it has, the persons or entities responsible. Based on the findings of its investigations, OIGI recommends administrative or disciplinary action, or highlights control weaknesses to management, which is responsible for implementing corrective actions and addressing control weaknesses. When an investigation uncovers evidence of criminal conduct, OIGI may recommend that the case be referred to national authorities.
58. Under its revised governance framework, OIG's ability to investigate fraud, corruption and collusion has been enhanced.
59. Of 50 cases completed by OIGI in 2016, 32 involved issues related to fraud or corruption, and 18 involved outright fraud. These cases are detailed in Figure 1.

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<sup>1</sup> These investigation guidelines are fully compliant with the Uniform Guidelines for Investigations established by the Conference of International Investigators.

<sup>2</sup> OED2015/022.

**Figure 1: Investigations completed in 2016, by type**

60. Identified financial loss resulting from fraud totaled USD 300,000 in 2016, down from USD 1.2 million in 2015. WFP recovered USD 1 million from 2015 losses during the 2016 fiscal year, and USD 20,000 has already been recovered from losses reported in 2016. Efforts to recover additional funds are ongoing.

**TABLE 7: LOSSES IDENTIFIED, 2016**

Case number	Case summary	Presumptive fraud (USD)	Amount of loss (USD)	Amount recovered (USD)
I 51/15	Fraudulent practice in WFP distribution of cash via mobile phones		58 581	
I 22/16	Fraudulent practice in WFP's Madagascar country office		23 100	23 100
I 32/16	Fraud and conflict of interest in the Nairobi Regional Bureau		171 945	
I 40/16	Entitlement fraud	75 657		
<b>Total</b>		<b>75 657</b>	<b>253 626</b>	<b>23 100</b>

61. Overall, OIGI has reduced the time taken for investigations. In 2016, the average time taken to complete an investigation was 5.3 months – well below the six-month target agreed to in the review of the internal justice system. OIGI completed 50 investigations in 2016 versus 73 in 2015. It substantiated 23 allegations in 2016 versus 39 in 2015, and issued 23 reports compared with 42 in 2015. Collaboration with other offices and WFP management responsible for dealing with workplace grievances increased in 2016. Referrals from OIGI to management, the Human Resources Division and the Ombudsman for alternative resolution increased by 61 percent from 2015 to 2016, and by 164 percent from 2014.

62. These results are summarized in Tables 7 and 8.

<b>TABLE 8: STATUS OF INVESTIGATION CASES, 2014–2016</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Outstanding cases carried over from previous period	15	21	17
Number of matters received (through a hotline, directly to OIG or referrals)	176	161	136
Referral to other offices (including the Human Resources Division, country office and regional bureau management, and the Ombudsman)	(14)	(23)	(37)
Complaints not leading to formal investigations	(120)	(69)	(56)
Cases registered during the year	42	69	43
<b>Total</b>	<b>57</b>	<b>90</b>	<b>60</b>
Cases closed during the year	36	73	50
Outstanding cases at year end	21	17	10
➤ cases outstanding for more than 6 months	2	0	1

### **Inspections**

63. Inspections are reviews of specific systems and processes that assist management in making more effective and efficient use of WFP's resources. No inspections were undertaken in 2016 as those planned for joint implementation with the Office of the United Nations High Commissioner for Refugees (UNHCR) were cancelled because UNHCR discontinued its inspection service in the third quarter of 2016.

## ANNEX I

**Assurance Reports and Ratings in 2016**  
<https://www.wfp.org/about/oversight/audit-inspection-reports>

<b>I-A: 2016 AUDITS AND INSPECTION REPORTS AND RATINGS</b>			
<b>Audit engagement</b>		<b>Issued</b>	<b>Rating</b>
1	Internal audit of WFP operations in Iraq	2016	Partially satisfactory
2	Internal audit of WFP's procurement of goods and services	2016	Partially satisfactory
3	Internal audit of baseline security in WFP's enterprise resource planning system	2016	Partially satisfactory
4	Internal audit of WFP operations in South Sudan	2016	Partially satisfactory
5	Internal audit of third-party monitoring	2016	Partially satisfactory
6	Internal audit of security and controls in WFP's Windows Active Directory	2016	Partially satisfactory
7	Internal audit of WFP's management of NGO partnerships	2016	Partially Satisfactory
8	Internal audit of WFP's operations in Yemen	2016	Unsatisfactory*
9**	Joint audit of the management of activities funded by the Central Emergency Response Fund (CERF)	2016	Partially satisfactory
10	Internal audit of WFP's country capacity strengthening	2016	Unsatisfactory
11	Internal audit of human resource management in country offices	2016	Partially satisfactory
12	Internal audit of WFP's operations in Egypt	2016	Partially satisfactory
13	Internal audit of WFP's management of treasury operations	2017	Partially satisfactory
14	Internal audit of WFP's management of its investment portfolio	2017	Partially satisfactory
15	Internal audit of financial service providers for cash-based transfers	2017	Partially satisfactory
16	Internal audit of WFP's Fast Information Technology and Telecommunications Emergency Sup Team (FITTEST)	2017	Partially satisfactory
17	Internal audit of cash-based transfer retailer implementation in Jordan and Lebanon	2017	Partially satisfactory
18	Internal audit of food quality and safety in WFP's Jordan and Lebanon operations	2017	Partially Satisfactory
19	Internal Audit of WFP's operations in Jordan	2017	Partially satisfactory
20	Participatory gender audit of WFP's Human Resources Division, Cairo Regional Bureau and Jordan and Sudan country offices	2017	N/A

\* A desk review of implemented agreed actions stemming from the 2016 internal audit was completed in February 2017. The report is available at <https://www.wfp.org/about/oversight/audit-inspection-reports>

\*\* This internal audit engagement comprised the preparation of a report consolidating results from various agencies.

<b>I-B: 2016 ADVISORY ASSURANCE AREAS</b>	
1	Coordination of donor reviews
2	Comparative review of the oversight functions of regional bureaux
3	WFP's management of consultants and short-term professionals



## ANNEX II

## OIGI Reports in 2016

<b>II-A: 2016 INVESTIGATION REPORTS</b>			
	<b>Case number</b>	<b>Case summary</b>	<b>Issue date</b>
1	I 65/15	Sierra Leone – harassment, sexual harassment and abuse of power – Special Service Agreement holders	12/01/2016
2	I 43/15	Uganda – fraudulent and corrupt practice – Service Contract holders	18/01/2016
3	I 60/15	Jordan – fraudulent practice – Service Contract holders	03/02/2016
4	I 49/15	United Arab Emirates – conflict of interest – Service Contract holders	03/02/2016
5	I 01/16	Malawi – fraudulent practice and theft of food – Service Contract holders	12/02/2016
6	I 53/15-A	South Sudan – conflict of interest and gross negligence – Fixed-Term	02/03/2016
7	I 53/15-B	South Sudan – fraudulent practice – External	02/03/2016
8	I 58/15	South Sudan – physical assault – Fixed-Term	02/03/2016
9	I 03/16	Kenya – fraudulent and collusive practice – Service Contract holders	31/03/2016
10	I 03/16-B	Kenya – fraudulent, collusive and obstructive practices – External	14/06/2016
11	I 48/15	Liberia – Conflict of interest and fraudulent practice – Service Contract holders	15/07/2016
12	I 51/15	Democratic Republic of the Congo – Fraudulent Practice – National Officer	18/07/2016
13	I 23/16	Kenya – theft of non-food items – Fixed-Term	19/07/2016
14	I 09/16	Afghanistan – sexual harassment – Fixed-Term	21/07/2016
15	I 25/16	Lebanon – retaliation – Fixed-Term	25/08/2016
16	I 31/16	South Sudan – obstructive practice – Indefinite Appointment	05/09/2016
17	I 18/16	Ethiopia – corrupt practice – Fixed-Term	30/09/2016
18	I 36/16	Regional Bureau Dakar – fraudulent practice – Fixed-Term	16/11/2016
19	I 20/16	Djibouti – corrupt and collusive practices – Fixed-Term	24/11/2016
20	I 22/16	Madagascar – fraudulent practice – Service Contract holders (former)	25/11/2016
21	I 21/16	Kenya – unauthorized outside activity – National Officer	30/11/2016
22	I 17/16	Uganda/Iraq – fraud, forgery and exposing WFP to reputational risk – Consultant (former)	30/11/2016
23	I 32/16	South Sudan – conflict of interest – National Officer	16/12/2016

<b>II-B: 2016 PROACTIVE INTEGRITY REVIEW REPORTS</b>			
	<b>Report name</b>	<b>Report reference</b>	<b>Issue date</b>
1	Proactive Integrity Review Report on Cash-Based Transfer Programme in WFP Lebanon	WFP/OIG/PIR-001/16	18/05/2016
2	Proactive Integrity Review Report on Cash-Based Transfer Programme in WFP Jordan	WFP/OIG/PIR-002/16	03/06/2016
3	Proactive Integrity Review of Republic of Congo Operations	WFP/OIG/PIR-003/16	14/09/2016
4	Proactive Integrity Review of the Central African Republic Operations	WFP/OIG/PIR-004/16	10/10/2016
5	Proactive Integrity Review of WFP Food Procurement for the Syria Regional Emergency Operations	WFP/OIG/PIR-005/16	30/11/2016

<b>II.C: MANAGEMENT LETTERS, 2016</b>			
	<b>Case number</b>	<b>Case summary</b>	<b>Issue date</b>
1	I 57/15	Kyrgyzstan – procurement	12/02/2016
2	I 43/15	South Sudan – control weaknesses	04/03/2016
3	I 67/15	Kenya – selection of cooperating partner to implement protracted relief and recovery operation	23/05/2016
4	X 50/16	Malawi – fuel irregularities in Blantyre suboffice	14/06/2016

**Acronyms Used in the Document**

CBT	cash-based transfer
IT	information technology
NGO	non-governmental organization
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PIR	proactive integrity review
VAM	vulnerability analysis and mapping
UNHCR	Office of the United Nations High Commissioner for Refugees