



联合国  
粮食及  
农业组织

Food and Agriculture  
Organization of the  
United Nations

Organisation des Nations  
Unies pour l'alimentation  
et l'agriculture

Продовольственная и  
сельскохозяйственная организация  
Объединенных Наций

Organización de las  
Naciones Unidas para la  
Alimentación y la Agricultura

منظمة  
الأغذية والزراعة  
للأمم المتحدة

# FINANCE COMMITTEE

**Hundred and Sixty-second Session**

**Rome, 23 - 25 May 2016**

**Annual Report of the Inspector General**

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

**Mr David Johnson**  
**Inspector General, Office of the Inspector General**  
**World Food Programme**  
**Tel: +3906 6513 3161**

*This document can be accessed using the Quick Response Code on this page;  
an FAO initiative to minimize its environmental impact and promote greener communications.  
Other documents can be consulted at [www.fao.org](http://www.fao.org)*



mq544

### EXECUTIVE SUMMARY

- The Office of the Inspector General's annual report for the year ended 31 December 2015 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 (OIG), including the Office of Internal Audit and the Office of Inspections and Investigations.
- OIG expresses an opinion as to whether WFP's internal control, governance and risk management processes provide reasonable assurance that WFP's objectives will be achieved. In 2015, 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.

### 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 further improvement highlighted in the report.**

---

Distribution: General

Date: 13 May 2016

Original: English

Agenda Item 6

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

Resource, Financial and Budgetary Matters

**For consideration**

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

---

## **Annual Report of the Inspector General**

### **Executive Summary**

The Office of the Inspector General of WFP submits this annual report, for the year ended on 31 December 2015, 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/2016/6-E/1) and notes that the oversight work performed and reported did not disclose any significant weaknesses in the internal control, governance or risk management processes in place across WFP that would have a pervasive effect on the achievement of WFP's objectives.

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

---

\* This is a 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.

---

#### **Focal point:**

Mr D. Johnson  
Inspector General  
tel.: 06-6513-3161

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

### **Mandate and Operations**

1. The Office of the Inspector General (OIG) is 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, which are available to the Board.
2. OIG 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 also performs the function of chief audit executive.
3. 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 2015 are listed in Annex V. The Inspector General also submits quarterly reports to the Executive Director and the Audit Committee, and this annual report to the Executive Board.
4. OIG expresses an opinion as to whether WFP's internal controls, governance and risk management processes provide assurance that WFP's objectives will be achieved. In 2015, 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. However, some internal control, governance and risk management practices noted in individual audit engagements need improvement. Annex I provides a short version of OIG's assurance opinion for 2015.

### **Statement of Independence**

5. OIG confirms its organizational independence. During 2015 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**

6. To provide assurance on WFP's internal controls, governance and risk management processes, OIG conducts audits covering a mix of WFP units and processes, including country offices, Headquarters divisions and units, and organization-wide processes.
7. An annual audit work programme was formulated for 2015 based on a detailed risk assessment conducted before the start of the year. The plan foresaw coverage of 33.7 percent of WFP's total audit-assessed risk in 2015: the audit results reported covered 31.7 percent of WFP's total audit-assessed risk, and gave unsatisfactory ratings for 2.2 percent.

### **Assurance Strategy Approach**

8. A new WFP internal audit strategy for 2016–2020 is being formulated. It will define a method and resources for providing assurance on the governance, risk management and control environment of WFP systems, processes, operations and activities.

### **Activities in 2015**

9. The services provided by OIG in 2015 and prior years are summarized in Table 1. The scope of work covers all WFP systems, processes, operations and activities. Listings of all reports issued and missions completed in 2015 are provided in Annexes II, IV and V.

Year	Internal audit			Investigation		Inspection
	Reports issued	Completed missions	Advisory services	Registered cases	Completed cases	Completed missions
2013	20	19	21	46	39	1
2014	20	17	4*	42	36	1
2015	18	18	7**	70	39	2

\* In 2014, the Office of Internal Audit (OIGA) changed its approach to quantifying advisory services to align with the revised definition of these services; since 2014, it reports only on advisory services for which reports have been issued.

\*\* In addition to the activities reported here, OIGA provided advice and support to the Committee on Commodities, Transport and Insurance (CCTI); provided support requested by management; coordinated and participated in other committees at Headquarters; and engaged with various external bodies on behalf of WFP.

10. Reports of all the audit missions completed in 2015 under the annual revised work plan were issued prior to this annual report (Annex II); all results from 2015 are therefore covered in this annual report
11. In 2015, 70 investigations were registered and 39 were completed (Table 8).

### Resources

12. The budget allocated to OIG in 2015 did not change from its 2014 level of USD 7.9 million. Actual expenditures were 99.15 percent of this allocation in 2015, compared with 93.36 percent in 2014.

	2012	2013	2014	2015
Budget allocation	7 766	6 993	7 957	7 961
Actual expenditures	5 923	6 927	6 730	7 782

13. The number of staff positions has decreased since 2014.

	2012	2013	2014	2015
Professional	28	28	31	29
General service	9	8	5	5
<b>TOTAL</b>	<b>37</b>	<b>36</b>	<b>36</b>	<b>34</b>

14. During 2015, five staff members left OIG, four were on temporary duty missions, and six new staff members were hired from outside WFP. Five positions in OIGA and two in the Office of Inspections and Investigations (OIGI) that remained vacant at the end of 2015 were filled in the first half of 2016. The services of several consultants and the co-source partner were utilized, both to meet short-term needs for specific expertise and to provide extra resources when required.
15. OIG reviewed the structure of OIGA in December 2015, reallocating available resources to match the evolving demands on the internal audit function. These changes included downgrading of a P5 to P4, and upgrading of a P1 to P2 and a P2 to P3. The Strategic Resource Allocation Committee allocated extra-budgetary funds to other costs for the proactive integrity review project (see paragraph 53–55).

## Overview of Activities of the Office of Internal Audit

### Internal Audit and Advisory Services

16. 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 accomplish its objectives by systematically evaluating risk management, control and governance processes and suggesting improvements to them.
17. As part of OIGA's process for providing assurance to the Board and the Executive Director, OIGA examines and evaluates the adequacy and effectiveness of WFP's internal control, governance and risk management processes overall and the performance of WFP units in delivering on their assigned responsibilities for achieving WFP's goals and objectives. 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.
18. OIGA provided seven assurance advisory reports in 2015. Additional services provided to management included advice and support to the Supply Chain Division on the CCTI's reports on insurance and transport, and on food procurement.

### Audit Results and Areas for Improvement

19. OIGA's work is planned according to a risk-based methodology that is continually adjusted to emerging risks. In 2015, OIGA completed 100 percent of the work foreseen in the adjusted work plan communicated to the Executive Director and the Audit Committee.
20. Assurance work indicated a stable control environment. WFP's processes were grouped into 21 process areas and 50 sub-processes covering the five components of internal control identified in WFP's corporate control framework – which is an adaptation of the Committee of Sponsoring Organizations of the Treadway Commission framework – and an additional component covering the information systems and information technology (IT) processes of the Control Objectives for Information and Related Technology framework of the Information Systems Audit and Control Association.
21. OIGA reported on these areas in 18 internal audit reports, 2 inspection reports and 7 advisory reports (Annex II) covering activities in 18 country offices and numerous Headquarters units. For each control component, Table 4 shows the number of process areas covered by audit work, and the average risk rating in 2015 compared with 2014, 2013 and 2012.

<b>TABLE 4: OVERALL RISK RATINGS OF THE INTERNAL CONTROL COMPONENTS AND IT PROCESSES AUDITED, 2012–2015</b>					
<b>Internal control component/IT process</b>	<b>Overall risk rating*</b>				<b>Number of process area audits 2015</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	
Internal environment	2.2	2.1	1.8	1.9	18
Risk management	1.7	1.8	1.5	1.4	18
Control activities	2.4	2.3	2.2	2.1	17
Information and communication	1.9	1.4	1.3	1.2	18
Monitoring	2.0	2.0	2.0	1.8	17
Information systems/IT processes	1.9	1.7	2.0	1.7	16

\* Low risk = 1; medium risk = 2; high risk = 3.

## 22. Factors underlying the risk ratings are as follows:

- *Internal environment.* Regarding their levels of assessed risk, processes have improved slightly since 2012 but continue to merit attention from the first and second lines of defence (LODs)<sup>1</sup> (see paragraph 32). In particular, uncertainty regarding the roles, responsibilities, accountability and authority of governing bodies and managers may be leading to systemic weaknesses in the execution of some internal controls and in management oversight at the corporate level.
- *Risk management.* Risk management practices in WFP are improving, with a decreasing risk trend since 2013. WFP needs to refine certain corporate policies to enhance business continuity and strengthen its risk management framework.
- *Control activities.* Audits continue to identify control failures, with 70 percent of all audit observations applying to this internal control component. Programme management processes remain particularly vulnerable to control weaknesses, accounting for more than 20 percent of observations, and nearly half of the high-risk observations regarding control activities reported in 2015.
- *Information and communication.* This component has gradually moved from medium to low risk over the past four years, as evidenced by the very low number of observations resulting from OIG's work in this area. However, audits of trust funds and donor funding identified opportunities for improvements in data collection, preparation of reports, knowledge sharing and lesson learning.
- *Monitoring.* While this component registered an improvement in 2015, weaknesses in field-level monitoring activities were consistently noted in the country offices audited by OIGA. These weaknesses included inadequately designed and implemented monitoring activities, and gaps in the monitoring processes for cash-based transfers (CBTs) and activities funded by trust funds. Monitoring data were often not defined, collected or reported by WFP, cooperating partners and third-party monitors, diminishing WFP's ability to provide an evidence base for its intervention results.
- *Information systems and IT.* While governance of information and communications technology (ICT) in WFP required strengthening of both the design and implementation of internal controls, highlighting the need to finalize and implement a corporate ICT strategy, the audit of the Logistics Execution Support System (LESS) found satisfactory controls of project management. Audits of the beneficiary and transfer management platform SCOPE and of network and communication systems identified opportunities for improving the security of WFP's IT.

## 23. Each audit is rated according to harmonized ratings for United Nations funds and programmes. Table 5 shows the assurance ratings for 2015 and the total audit-assessed risk coverage.

<b>Rating</b>	<b>Assurance level</b>	<b>Audit reports/engagements</b>	<b>Audit-assessed risk coverage</b>
Satisfactory	Reasonable assurance can be provided	3	3.3
Partially satisfactory	Reasonable assurance is at risk	13	20.7
Unsatisfactory	Reasonable assurance cannot be provided	2	2.2
Not rated – advisories and inspections		10	4.8
<b>Total audit-assessed risk coverage</b>			<b>33.7</b>

<sup>1</sup> Line managers are the first LOD and management oversight and review processes the second. Internal audit is the third LOD.

## Major Themes Arising in 2015

24. During 2015, OIG's attention was drawn to risks in areas that included delivery of common logistics services, operational budgets, CBTs and ICT.
25. *Common logistics services.* WFP is delivering more and more complex common logistics services to its partners, through a common platform. Increasingly effective governance, risk management and controls were indicated in audits of the Ebola virus disease response in three countries, the Regional Bureau in Dakar and the Fast Information Technology and Telecommunications Emergency Support Team in Dubai; construction projects under WFP special operations in nine country operations; an assurance advisory on a risk assessment of special nutritious foods; and inspections of the use of biometrics with the Office of the United Nations High Commissioner for Refugees (UNHCR) and of WFP operations in Mauritania.
26. *Operational budget management.* Management of operational budgets continues to be challenged, despite audit evidence of improvement. OIGA identified a lack of oversight by the second LOD, which allowed operational deficits to go unnoticed for prolonged periods. In country offices, problems with the management of receivables accounts and the use of offline commitments – to deal with short-term cash flow shortages – lack of detective controls<sup>2</sup> and inadequate budget monitoring were noted in several audited operations and may have been an underlying cause of some of the severe funding deficits observed in country offices during 2014 and 2015. The advance funding facility – the Immediate Response Account – for addressing funding deficits without requiring collateral had not been or was unlikely to be repaid by some recipient operations, necessitating a review of the mechanism for authorizing, monitoring and managing these advances. OIGA noted that of the operations audited, nearly 50 percent needed to complete or significantly improve their funding strategies, while others were not promptly adjusting their cost structures and activities to sustainable levels in the face of diminishing resources.
27. *Cash-based transfers.* OIG continued to focus on CBTs in 2015, covering three of the largest six CBT operations in WFP through its audit work, including WFP's largest CBT programme in Lebanon. In addition to its audits of CBTs in Myanmar and Zimbabwe, OIG also provided advisories on development of the CBT delivery platform; carried out two major CBT process audits in January 2015; completed a WFP-UNHCR joint inspection of the biometrics identification system in Kenya; and launched three investigations involving CBT-related processes. The configuration of CBT spending changed in 2015, including by declining slightly overall. OIG also noted some more specific observations regarding CBTs:
  - *There were improvements in the implementation of controls and the maturity of CBT business processes.* However, OIG noted opportunities for further improvement, particularly in the completion of sectorial capacity assessments, procurement processes, and contracting and management of financial service providers and retail services.
  - *The implementation rate of audit recommendations and agreed actions related to CBTs remains relatively low.* OIG disclosed two reports on CBTs, with a total of 37 agreed actions. By 31 December 2015, 9 of the agreed actions had been implemented, 12 had passed their implementation dates and 15 were to be implemented in 2016. The timely implementation of agreed actions has been challenged by the limited availability of resources and the complexity of the actions involved.
28. *Information and communications technology.* The ICT audits concluded that controls were generally established and functioning but needed improvement, especially regarding ICT governance and IT data security. Country-level controls of ICT processes were generally observed to be working effectively, while the audit of LESS found satisfactory implementation of project management controls. However, the audits of SCOPE and network and communication systems identified opportunities for substantial improvement in WFP's IT security. The audit of

---

<sup>2</sup> Detective controls are internal control mechanisms for finding risks in operational processes.



ICT governance in WFP highlighted the need for a corporate ICT strategy, and review and improvement of governance processes.

### Emerging Risks Identified for Attention in 2016

29. OIG has identified the following areas of focus for 2016.
30. *Organizational transformation and adaptation to systemic changes.* The 2015 audits of the India and Zimbabwe country offices, management of donor funding and management of corporate trust funds highlighted the challenges associated with WFP's changing operating environment and the rapid adaptation required of operational and financial models, internal controls and business processes to keep up with systemic changes.
31. *Cash-based transfers.* WFP's enhanced normative guidance on CBTs has clarified roles in and responsibilities for the implementation of internal controls by the first LOD and oversight functions by the second. As CBTs are mainstreamed, WFP is likely to experience challenges in internal control, governance and risk management, and an increased risk of fraud and corruption, with potentially material financial losses and disruptions in the delivery of food assistance.
32. *Oversight role of the regional bureaux.* In September 2015, WFP formally adopted the three lines of defence (LODs) model of corporate governance, as recommended by the High-Level Committee on Management. Adoption of this model highlights the importance to the Executive Director of the second LOD's oversight role in a decentralized management model, and her increasing reliance on it.
33. *Information and communications technology.* Development of a corporate ICT strategy in 2016 will set a new direction for ICT in WFP. OIG will focus on baseline security of the WFP Information Network and Global System (WINGS); and user access control/segregation – governance, risk and compliance – and Active Directory in WINGS. OIGA will review its IT audit strategy and work plan to ensure alignment with WFP's corporate ICT strategy, once it has been finalized and approved.

### Audit Agreed Actions

34. Internal audits recommend actions for overcoming weaknesses found in the audited entity's processes. These actions are discussed and agreed with management and addressed to the entity's manager or corporate director. The numbers and ratings of agreed actions from internal audit reports issued in 2015 are provided in Table 6.

TABLE 6: NUMBERS AND RATINGS OF 2015 AUDIT AGREED ACTIONS		
Rating	Definition*	Number of agreed actions
Medium risk	Issues related to matters that significantly affect controls but may not require immediate action The matters observed might prevent the achievement of an objective of the audited entity, or result in exposure to unmitigated risk that could have an impact on the achievement of the entity's objectives	124
High risk	Issues related to important matters that are material to the internal control system The matters observed might prevent achievement of a corporate objective, or result in exposure to unmitigated risk that could have a high impact on achievement of corporate objectives	13
<b>TOTAL</b>		<b>137</b>

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

35. WFP management continued to make progress in implementing medium- and high-risk agreed actions in 2015, with the number of outstanding and overdue actions decreasing by 20 percent since 2014 and 36 percent since 2013. OIG will continue to work with other WFP entities on the follow-up of agreed actions throughout 2016.
36. By 31 December 2015, all agreed actions issued before 2014 had been cleared and only three from 2014 remained open. The average number of days taken to close recommendations increased from 267 in 2014 to 391 in 2015, but remained well below the five-year average of 464 days. In 2016, OIGA will work with management to monitor overdue and outstanding agreed actions and ensure that they are promptly closed.
37. OIGA has revised the format and length of its reports to allow greater attention to strategic issues and emerging risks. As a result, the average number of agreed actions per report has decreased by 35 percent over the past two years.

<b>TABLE 7: STATUS OF AUDIT AGREED ACTIONS, 2014–2015</b>						
<b>Status</b>	<b>High-risk 2014</b>	<b>High-risk 2015</b>	<b>Medium-risk 2014</b>	<b>Medium-risk 2015</b>	<b>Total 2014</b>	<b>Total 2015</b>
<b>Outstanding at 1 January</b>	25	23	310	244	335	267
Issued during the year	20	13	172	124	192	137
<b>TOTAL</b>	45	36	482	368	527	404
Closed during the year	22	18	238	173	260	191
<b>Outstanding at year end, including overdue</b>	23	18	244	195	267	213

### **WFP's Internal Audit Capability**

38. In 2015, as part of a strategic planning exercise, OIGA was benchmarked against international best practices. This assessment concluded that most of WFP's internal audit function has achieved the second highest rating in the Internal Audit Capability Model (IA-CM) for the Public Sector developed by the Research Foundation of the Institute of Internal Auditors<sup>3</sup> – level 4, managed – meaning that OIGA has institutionalized internal audit good practices that allow it to integrate information from entities throughout WFP to improve governance and risk management practices. The IA-CM identified areas of improvement that provided inputs into development of the new internal audit strategy for 2016–2020.

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

39. The mission of OIGI is to provide independent and objective inspection and investigation services that improve WFP's functioning by safeguarding its assets and promoting an ethical work environment.
40. Since 2013, OIGI has been realigning its work and methodology for addressing major fraud risks to WFP by shifting its focus to fraud involving third parties/vendors and procurement, and taking a more proactive approach to fraud detection and risk mitigation.

<sup>3</sup> Developed in 2009, the IA-CM is an international framework that identifies the fundamental needs for effective internal auditing in the public sector and facilitates comparison among organizations worldwide. The model identifies five capability levels related to leading practices: 1 – initial; 2 – infrastructure; 3 – integrated; 4 – managed; and 5 – optimizing. Each level identifies key process areas and practices that must be implemented/institutionalized within the six elements of internal audit activities identified in the model.

41. In 2015, this shift was formalized with the approval of a revised OIG charter and a revised Anti-Fraud and Anti-Corruption (AFAC) Policy, which enhanced OIGI's capacity to investigate and address fraud and corruption. OIGI's mandate now extends to investigating allegations of third-party and vendor fraud, corruption, collusion and other irregularities. Proactive integrity reviews (PIRs) (see paragraphs 53–55) have been added to OIGI's anti-fraud assurance procedures, to complement its traditional channel of acting on receipt of a complaint or allegation.

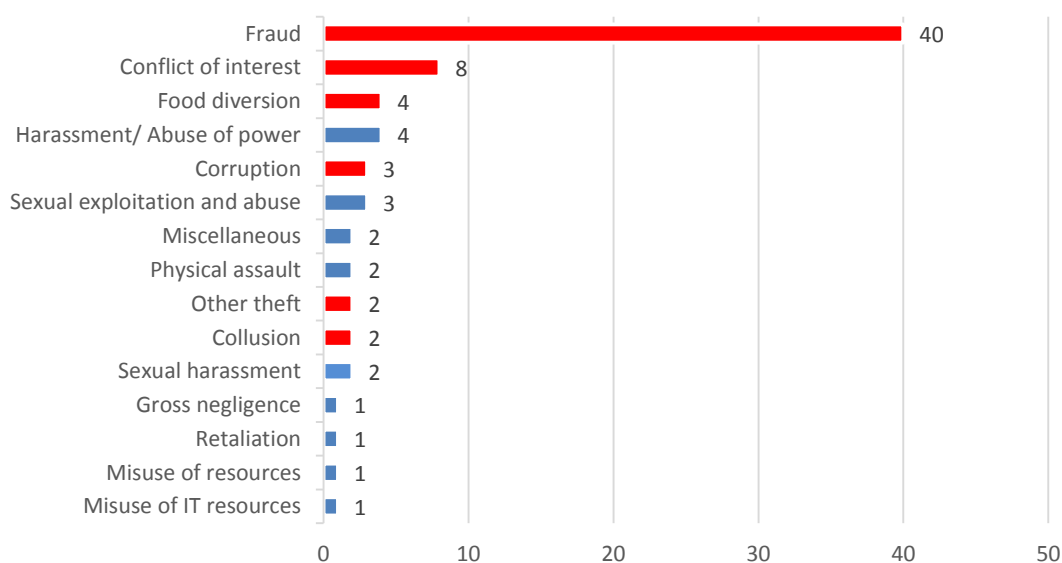
### Investigations

42. An investigation is a legally based, analytical process for gathering information to determine whether misconduct or wrongdoing has occurred and, if so, 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 actions and addressing control weaknesses. When an investigation results in evidence of criminal conduct, OIGI may recommend that the case be referred to the appropriate national authorities.
43. Under its revised governance framework, in 2015, OIG's ability to investigate fraud, corruption and collusion was enhanced by the extension of its mandate to include investigating wrongdoing committed by vendors and/or other third parties to the detriment of WFP; introduction of PIRs (described in paragraphs 53–55) as part of OIGI's work; the prohibition of coercive and obstructive practices during WFP investigations into fraud, corruption and collusion; enhancement of vendors' obligation to grant OIG access to records, documents and other information relevant to their relations with WFP; and strengthening of the model anti-fraud and anti-corruption contractual clause, which is now applicable to all third parties entering into contractual arrangements with WFP.
44. OIGI launched a mandatory e-learning course on AFAC and protection from sexual exploitation and abuse; the course is mandatory for all WFP staff and is available in four languages. It also provided fraud prevention training for staff in the Jordan, South Sudan and Uganda country offices. As of 31 December 2015, more than 8,600 staff members had completed the AFAC e-learning course – 55 percent of all users in the Learning Management System.

### Results of Investigative Work

45. In 2015, OIGI enhanced its focus on fraud and other allegations of highest risk to WFP, with investigations on breaches of the AFAC policy representing 78 percent of its workload; fraud investigations represented 50 percent of these cases, as shown in Figure 1, where AFAC violations are highlighted in red.

**Figure 1: Numbers of investigations completed, by case typology, 2015**



46. Vendor/third-party fraud and procurement fraud continue to be a significant risk area, accounting for presumptive losses valued at approximately USD 1,182,151 in 2015. OIGI's investigative work led to the recovery of USD 234,174.37 by year end, representing 20 percent of total losses identified in the year. WFP continued to pursue additional recoveries beyond the reporting period.
47. In allocating its resources, OIGI also gave high priority to investigating allegations of sexual offences, which pose risks to the security of victims and other parties and are a serious threat to WFP's credibility and reputation. In 2015, OIGI completed three investigations of sexual exploitation and abuse allegations and two of sexual harassment. To mitigate inherent risks, OIGI strived to provide management with actionable findings and recommendations as quickly as possible.
48. Overall, OIGI is reducing the time taken for investigations, completing all investigations within six months – and often much sooner – while almost doubling its output. In 2015, OIGI completed 76 investigations versus 39 in 2014, representing a 94 percent increase in its workload; it substantiated 39 allegations versus 18 in 2014 – an increase of 116 percent; issued 42 reports versus 26 in 2014 – 61 percent more; and issued two management letters concerning challenges identified in the process areas reviewed.
49. These results are summarized in the following tables.

<b>TABLE 8: STATUS OF INVESTIGATION CASES, 2012–2015</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Outstanding cases from previous period	37	8	15	21
Cases registered during the year	33	46	42	69
<b>Total</b>	<b>70</b>	<b>54</b>	<b>57</b>	<b>90</b>
Cases closed during the year	62	39	36	73
<b>Outstanding cases at year end</b>	<b>8</b>	<b>15</b>	<b>21</b>	<b>17</b>
• <b>of which outstanding for more than 6 months</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>

Category	Outstanding at 1 January 2015	Registered in 2015	Total	Completed		Outstanding at 31 December 2015
				Total	Substantiated	
Corruption	0	6	6	3	2	3
Conflict of interest	5	4	9	8	6	1
Collusion	1	1	2	2	1	0
Theft: food diversion	2	3	5	4	1	1
Fraud	8	34	42	40	16	2
Harassment, abuse of power	2	4	6	4	2	2
Sexual harassment	1	3	4	2	2	2
Miscellaneous	0	7	7	2	2	5
Other theft	1	1	2	2	2	0
Physical assault	1	2*	3	2*	1	1
Retaliation against whistleblower	1	0	1	1	1	0
Sexual exploitation	1	2	3	3	1	0
Misuse of IT resources	0	1	1	1	1	0
Misuse of resources	0	1*	1	1*	1	0
Gross negligence	0	1	1	1	0	0
<b>TOTAL*</b>	<b>23</b>	<b>70</b>	<b>93</b>	<b>76</b>	<b>39</b>	<b>17</b>

\* Of the 69 cases registered in 2015, two involved two types of misconduct: physical assault and misuse of resources. As a result, the sum in the column "total registered in 2015" is 70.

Case number	Case summary	Nature of case	Loss amount* (USD)	Recoveries (USD)
I 21/14	Embezzlement of office cash**	Fraud	131	
I 35/14	Fraudulent practice by cooperating partner	Fraud	18 462	
I 39/15	Fraudulent practice by cooperating partner	Fraud	324 228	234 174
I 50/15	Fraudulent practice by vendor	Fraud	825 010***	
I 51/15	Fraudulent practice in cash distribution via mobile phones****	Fraud	14 320	
<b>TOTAL</b>			<b>1 182 151</b>	<b>234 174</b>

\* Figures have been rounded to the nearest US dollar.

\*\* Investigation started in 2014 and completed in 2015 – initial/partial figure was reported in 2014.

\*\*\* Of this total, USD 465,852 is presumptive fraud.

\*\*\*\* Investigation not completed.

## **Inspections**

50. Inspections are reviews of specific systems and processes and assist management in making more effective and efficient use of resources.
51. Two inspections were undertaken in 2015: one in Mauritania; and a joint inspection with UNHCR on the biometrics identification system for food distribution in Kenya. WFP publicly disclosed the reports of both inspections, in line with its commitment to transparency and accountability.
52. A joint WFP/UNHCR inspection team coordinated the scoping, planning and reporting of the Kenya inspection, preventing duplication of work by the two inspection offices. The joint inspection enhanced the sharing of technical knowledge, collaboration and trust between the inspection offices and country and regional staff of the two agencies. The joint report was reviewed by WFP and UNHCR management and signed and issued by the Inspector Generals of the two agencies. This was the first joint inspection for OIG, and was successful. The inspection offices of WFP and UNHCR are exploring opportunities for other joint work in 2016.

## **Proactive Integrity Reviews**

53. PIRs were introduced into OIGI's work through the approval of OIG's new charter and the AFAC policy in 2015. The objective of a PIR is to identify fraud risks and appropriate risk mitigation measures at an early stage of a process or operation based on a systematic fraud risk assessment of an entity's processes or operations, or in response to concerns raised by management, audit work or external entities.
54. In 2015, concerns arose when audits and investigations of CBT programmes identified potentially material risks to WFP; CBT activities were therefore selected for the first pilot PIR.
55. The pilot introduced and tested the baseline tools, techniques and procedures for PIRs. Based on lessons learned during the pilot, a second phase of PIR introduction started in the first quarter of 2016 and is focusing on the development of PIR tools and procedures, including a methodology for integrating fraud risk assessment and multi-intelligence sources into the selection and prioritization of projects for PIRs. During the final phase, expected to start in the second half of 2016, the PIR process will be mainstreamed into OIGI's work, establishing a continuous fraud risk monitoring process and the partnerships required to enable sustainability of the PIR process.

**ANNEX I****Assurance Statement**

1. The mission of the Office of the Inspector General (OIG) is to provide assurance on governance, policy, risk, resources, operational and accountability issues through independent and objective oversight services; and to facilitate WFP's adoption and implementation of best United Nations and private-sector practices to enable managers to provide assurance on their work.
2. OIG's annual overall assurance opinion provides assurance that oversight work performed and reported in 2015 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 achievement of WFP's objectives. The overall opinion also identifies internal control, governance and risk management practices noted in individual audit engagements that require improvement.
3. The overall opinion is intended to provide assurance regarding the existence of issues at the institutional level that significantly affect achievement of WFP's strategic and operational objectives, as distinct from the individual engagement level. Issues at the engagement level that significantly affect the achievement of the objectives of the audited entity may not, and often do not, rise to a level of significance at the institutional level.
4. While diligence is exercised to plan and carry out risk-based audit work that will assess the adequacy and effectiveness of governance, risk management and control processes, the possibility remains that significant deficiencies may nevertheless not be detected during audits. In particular, the presence of inherent limitations in controls such as faulty judgments, unintentional errors, and circumvention by collusion and management overrides, may not always be detected due to the nature of audit work.
5. WFP's management is responsible for establishing and maintaining effective internal controls, governance and risk management processes to ensure WFP's objectives are achieved; OIG is responsible for expressing an opinion on the adequacy and effectiveness of these processes in achieving WFP's strategic and operational objectives.
6. OIG's annual work plan is intended to provide sufficient and broad coverage of WFP's key business processes to enable the Office to form an assurance opinion. OIG's annual opinion is formed on the basis of 20 internal audit and inspection results, 7 advisory assurances, and 76 investigations for the year. OIG also takes into account the results of other WFP review and control groups and external assurance providers.
7. In addition to conducting internal audits, in 2015 OIG increased the number of advisory assurance assignments. This is a complementary approach, providing assurance to management particularly in high-risk or emerging areas. Advisory services contributed to the annual audit work plan for an adequate coverage of the audit universe.

**Opinion**

The oversight work performed and reported in 2015 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 achievement of WFP's objectives. However, some internal control, governance and risk management practices noted in individual audit engagements need improvement.

**David Johnson – Inspector General  
February 2016**

**ANNEX II****Audit Reports and Ratings in 2015**

<b>Audit</b>		<b>Report issuance</b>	<b>Rating</b>
1	Corporate Trust Funds	2015	Unsatisfactory
2	WFP Operations in Nicaragua	2015	Partially Satisfactory
3	WFP Operations in the Republic of the Congo	2015	Unsatisfactory
4	WFP Operations in Ethiopia	2015	Partially Satisfactory
5	ICT Governance in WFP	2015	Partially Satisfactory
6	WFP's Ebola Virus Disease Response	2015	Partially Satisfactory
7	WFP's Logistics Execution Support System (LESS)	2015	Satisfactory
8	WFP Operations in Sudan	2015	Satisfactory
9	WFP Operations in Uganda	2015	Partially Satisfactory
10	WFP Operations in Myanmar	2015	Partially Satisfactory
11	WFP Operations in Zimbabwe	2015	Partially Satisfactory
12	WFP's Management of Donor Funding	2015	Partially Satisfactory
13	WFP's Construction Projects	2016	Partially Satisfactory
14	WFP's Network and Communication Systems	2015	Partially Satisfactory
15	WFP Operations in the Syrian Arab Republic	2016	Partially Satisfactory
16	WFP Operations in Lebanon	2016	Partially Satisfactory
17	Security and Controls in WFP's SCOPE System	2016	Partially Satisfactory
18	WFP Operations in India	2016	Partially Satisfactory
<b>TOTAL</b>		<b>18*</b>	

\* This figure includes all reports issued in 2015 and in January 2016 for worked performed in 2015.



## ANNEX III

## Investigation Reports in 2015

Tables III(A) and III(B) show reports that were issued after the Board approved the policy for disclosure of investigation reports. Each request for disclosure is reviewed in accordance with the policy to ensure that the confidentiality, safety, security and due process rights of all individuals are considered before a report is made available to a permanent representative.

<b>TABLE III(A): 2015 INVESTIGATION REPORTS ON WFP STAFF MISCONDUCT AND WRONGDOING</b>			
	<b>Report number</b>	<b>Report name</b>	<b>Issue date</b>
1	I 22/14	Pakistan – Fraud (medical) – Retiree	13/01/2015
2	I 24/14	Haiti – Conflict of interest – FT	20/01/2015
3	I 29/14	Haiti – Conflict of interest – FT	20/01/2015
4	I 21/14	South Sudan – Theft of non-food items – FT	26/01/2015
5	I 42/14	Eritrea – Fraud – CO	09/02/2015
6	I 20/14	Sierra Leone – Theft of food items – FT	11/02/2015
7	I 40/14	Headquarters – Sexual harassment – CST	18/02/2015
8	I 06/15	Sierra Leone – Conflict of interest – IA	19/03/2015
9	I 07/15-A	Central African Republic – Theft of food items – SC	27/03/2015
10	I 07/15-B	Central African Republic – Theft of food items – SC	27/03/2015
11	I 11/15	Headquarters – Misuse of ICT resources – FT	09/04/2015
12	I 38/14-A	Nicaragua – Abuse of authority – Retiree	13/04/2015
13	I 38/14-B	Nicaragua – Abuse of authority – IA	13/04/2015
14	I 39/14	South Africa – Physical assault – FT	14/04/2015
15	I 28/14	Jordan – Corrupt practices – SC	27/05/2015
16	I 10/15	Pakistan – Sexual harassment – SC	08/06/2015
17	I 13/15	Headquarters – Fraudulent practice – FT	19/06/2015
18	I 04/15-A	Iraq – Theft: food diversion – SC	19/06/2015
19	I 04/15-B	Iraq – Collusive practice – FT	24/06/2015
20	I 36/14	Bangladesh – Conflict of interest – FT	19/08/2015
21	I 08/15-A	Nicaragua – Conflict of interest – SC	21/08/2015
22	I 08/15-B	Nicaragua – Conflict of interest – SC	21/08/2015
23	I 14/15-A	Lebanon – Corrupt practice – SC	28/08/2015
24	I 14/15-B	Lebanon – Corrupt practice – SC	28/08/2015
25	I 14/15-C	Lebanon – Gross negligence – SC	28/08/2015
26	I 41/15	Uganda – Fraudulent practice – FT	06/10/2015
27	I 40/15	Iraq – Corrupt practice – FT	07/10/2015
28	I 45/15	Madagascar – FT	09/11/2015
29	I 55/15	Nicaragua – Fraudulent practice – SC	10/11/2015
30	I 20/15	Liberia – Fraudulent practice – SC	17/11/2015
31	I 22/15	Liberia – Fraudulent practice – SC	17/11/2015
32	I 23/15	Liberia – Fraudulent practice – SC	17/11/2015
33	I 25/15	Liberia – Fraudulent practice - SC	17/11/2015

<b>TABLE III(A): 2015 INVESTIGATION REPORTS ON WFP STAFF MISCONDUCT AND WRONGDOING</b>			
	<b>Report number</b>	<b>Report name</b>	<b>Issue date</b>
34	I 26/15	Liberia – Fraudulent practice – SC	17/11/2015
35	I 30/15	Liberia – Fraudulent practice – SC	17/11/2015
36	I 44/15	Uganda – Miscellaneous – FT	17/11/2015
37	I 64/15	Philippines – Sexual exploitation and abuse – SC	14/12/2015
38	I 66/15	Nepal – Sexual assault – SSA	21/12/2015

CST: consultant; FT: fixed-term appointment; SC: service-contract holder; CO: continuing appointment;  
IA: indefinite appointment; SSA: special service agreement

<b>TABLE III(B): 2015 INVESTIGATION REPORTS ON VENDOR/COOPERATING PARTNER WRONGDOING</b>			
	<b>Report number</b>	<b>Report name</b>	<b>Issue date</b>
1	I 35/14	Afghanistan - Fraudulent practice – Cooperating partner	21/08/2015
2	I 39/15	Uganda – Fraudulent practice – Cooperating partner	12/10/2015
3	I 39/15-B	Uganda – Fraudulent practice – Cooperating partner	14/12/2015
4	I 50/15	South Sudan – Fraudulent practice – Vendor	21/12/2015

**ANNEX IV****Inspection Reports in 2015**

	<b>Report number</b>	<b>Inspection</b>	<b>Issue date</b>
1	IR/01/2015	Inspection Report on WFP Operations in Mauritania	30/06/2015
2	IR/02/2015	Joint Inspection Report of the Biometrics Identification System for Food Distribution in Kenya	19/08/2015

## ANNEX V

**Disclosure of Oversight Reports in 2015**

In line with the disclosure policy,<sup>1</sup> internal audit and inspection reports were disclosed on the WFP public website in 2015 under the section “Corporate information”.

<b>TABLE V(A): DISCLOSURE OF OVERSIGHT REPORTS ON WFP WEBSITE</b>	
<b>Report no.</b>	<b>Report title</b>
AR/15/01 <sup>2</sup>	Joint Audit of the Rome-Based Agencies' Common Procurement Team – January 2015
AR/15/02 <sup>2</sup>	Internal Audit of Cash and Voucher Modalities in the Field – Project Design and Set Up – January 2015
AR/15/03 <sup>2</sup>	Internal Audit of Cash and Voucher Modalities in the Field – Distribution Cycle and Intervention Closure – January 2015
AR/15/04 <sup>2</sup>	Internal Audit of WFP Operations in Afghanistan – February 2015
AR/15/05	Internal Audit of Corporate Trust Funds – March 2015
AR/15/06	Internal Audit of WFP Operations in Ethiopia – May 2015
AR/15/07	Internal Audit of WFP Operations in the Republic of the Congo – May 2015
AR/15/08	Internal Audit of WFP Operations in Nicaragua – June 2015
IR/01/2015	Inspection Report on WFP Operations in Mauritania – June 2015
AR/15/09	Internal Audit of WFP Operations in Myanmar – July 2015
AR/15/10	Internal Audit Report of WFP Operations in Uganda – August 2015
AR/15/11	Internal Audit Report of ICT Governance in WFP – September 2015
AR/15/12	Internal Audit of WFP’s Ebola Virus Disease Response – November 2015
AR/15/13	Internal Audit of WFP Management of Donor Funding – November 2015
AR/15/14	Internal Audit of WFP Operations in Sudan – November 2015
AR/15/15	Internal Audit of WFP Operations in Zimbabwe – November 2015
AR/15/16	Internal Audit of the Logistics Execution Support System (LESS) implementation in WFP – December 2015
AR/15/17	Internal Audit Report of WFP Operations in Lebanon – December 2015
IR/02/2015	UNHCR-WFP Joint Inspection Report of the Biometrics Identification System for Food Distribution in Kenya – August 2015

In keeping with the policy, where disclosure of the contents of an audit or investigation report would be inappropriate for reasons of confidentiality, or where it could place in jeopardy the safety and security of any individual, or run the risk of violating the due process rights of individuals, the report may be redacted or, in extraordinary circumstances withheld, at the discretion of the Executive Director or the Inspector General and Director, Oversight Office, who provides the reasons for such actions. Following these guidelines, in 2015, OIG withheld or redacted the reports listed in Table V(B).

<sup>1</sup> WFP/EB.2/2012/4-A/1

<sup>2</sup> These reports on audit work completed in 2014 were disclosed on WFP’s public website in the first quarter of 2015.

<b>TABLE V(B): WITHHELD AND REDACTED REPORTS 2015</b>		
<b>Report</b>		<b>Action</b>
1	Audit of WFP Operations in Uganda	Redacted
2	Audit of WFP's Network and Communication Systems	Withheld
3	Audit of WFP Operations in the Syrian Arab Republic	Redacted
4	Audit of Security and Controls in WFP's SCOPE system	Withheld

## Acronyms Used in this Document

AFAC	anti-fraud and anti-corruption
CBT	cash-based transfer
CCTI	Committee on Commodities, Transport and Insurance
IA	internal audit
IA-CM	Internal Audit Capability Model
ICT	information and communications technology
IT	information technology
LESS	Logistics Execution Support System
LOD	line of defence
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PIR	proactive integrity review
UNHCR	Office of the United Nations High Commissioner for Refugees
WINGS	WFP Information Network and Global System