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# FINANCE COMMITTEE

**Hundred and Fifty-third Session**

**Rome, 12 - 14 May 2014**

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

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

**Mr Manoj Juneja and Mr Jim Harvey**

**World Food Programme**

[manoj.juneja@wfp.org](mailto:manoj.juneja@wfp.org), [jim.harvey@wfp.org](mailto:jim.harvey@wfp.org)

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### EXECUTIVE SUMMARY

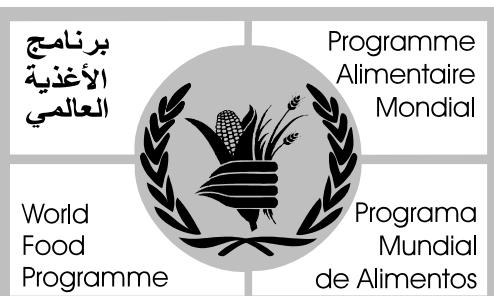
- To enhance transparency and accountability, this document presents the Executive Director's comments on the annual report of the WFP Inspector General. It outlines ongoing or completed actions to address issues raised in the report, and comments on the work of the Inspector General and the functioning 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.
- The Executive Director welcomes the positive comments on the improvements achieved through the ongoing process of strengthening managerial control and accountability across WFP. In particular, she appreciates the advisory services the Inspector General and his staff have provided throughout the course of 2013 as well as other measures undertaken to foster enhanced efficiency and accountability. This support has particularly benefited many of WFP's evolving business areas and contributed to an overall stable control environment.

### 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 WFP Inspector General".

### Draft Advice

- **The FAO Finance Committee welcomes the initiative of the Executive Director to provide, for the third consecutive year, comments on the annual report of the WFP Inspector General.**
- **The Finance Committee takes note of the range of actions underway to address the high level issues raised by the Inspector General in his report and is pleased to note that many of these issues will be considered as part of the organizational strengthening currently underway.**
- **The Finance Committee advises the WFP Executive Board to take note of the additional comments provided by the Executive Director on the "Annual Report of the WFP Inspector General" and the positive commitment to address opportunities for further improvement highlighted in the report.**



**Executive Board  
Annual Session**

Rome, 3–6 June 2014

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

## **Agenda item 6**

*For consideration*

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Distribution: GENERAL

**WFP/EB.A/2014/6-F/1/Add.1**

28 April 2014

ORIGINAL: ENGLISH

## **NOTE BY THE EXECUTIVE DIRECTOR ON THE ANNUAL REPORT OF THE WFP INSPECTOR GENERAL**

This document is printed in a limited number of copies. Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for consideration.**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

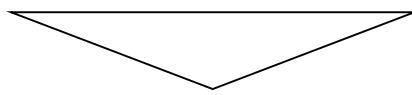
Chief of Staff and Director, Office of the Executive Director:      Mr J. Harvey      tel.: 066513-2002

Assistant Executive Director, RM\* and Chief Financial Officer:      Mr M. Juneja      tel.: 066513-2885

Should you have any questions regarding availability of documentation for the Executive Board, please contact the Conference Servicing Unit (tel.: 066513-2645).

\* Resource Management and Accountability Department

## DRAFT DECISION\*



The Board takes note of “Note by the Executive Director on the Annual Report of the WFP Inspector General” (WFP/EB.A/2014/6-F/1/Add.1).

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\* 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.

## INTRODUCTION

1. This document presents the Executive Director's comments on the Annual Report of the WFP Inspector General (WFP/EB.A/2014/6-F/1). It outlines ongoing or completed 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.
2. The following comments refer to specific paragraphs in the annual report, as noted.

## ACTIONS AND COMMENTS

### **Paragraph 4 and Annex I – Assurance Statement**

3. 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. She acknowledges that some practices need improvement.

### **Paragraph 6: Statement of Independence**

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

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

5. The Executive Director welcomes the Office of the Inspector General's new vision and outreach to deliver more value to WFP as a business partner. WFP appreciates the support provided by the Inspector General and his staff, particularly through advisory services, and through identifying and calling attention to the need for important improvements to internal control, governance and risk management. These improvements have particularly benefitted evolving business areas such as logistics, cash and vouchers (C&V), and procurement, and contributed to an overall stable control environment.
6. The Executive Director appreciates the all-encompassing approach of the Inspector General in reviewing the entirety of WFP process areas, as summarized in Table 4 and paragraph 20. The Executive Director is also pleased with the Inspector General's recognition that WFP management is committed to addressing identified risks in a timely manner.

### **Section: Themes Arising in 2013**

7. The Executive Director takes note of the themes arising in 2013 and reports that progress has been made as follows:
  - *Cash and vouchers:* A corporate training on C&V for field officers in country offices will be rolled out by early 2015. Tools and guidelines have been developed to minimize and mitigate WFP's risks related to C&V transfers. A joint directive on Operations and Finance Procedures for the Use of Cash and Voucher Transfers to Beneficiaries<sup>1</sup>

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<sup>1</sup> OS2013/003 RM2013/005

institutes financial risk management and internal control. Four studies evaluating the efficiency and effectiveness of C&V versus in-kind transfers were produced in 2013 with support from the International Food Policy Research Institute; a fifth study will be finalized by the end of 2014. The Information Technology Division has developed the SCOpes system for beneficiary management and entitlement transfer systems to track C&V transfer modalities. SCOpes has been used in four countries since December 2013 and will be rolled out to others in 2014.

- *Infrastructure construction:* The Executive Director acknowledges the need for guidance and standards for large infrastructure projects. In 2014 she intends to issue a circular and directive establishing the governance framework, which will be complemented by:
  - a construction manual that was developed and tested over the past two years and is based on the practices of other United Nations agencies and industry; and
  - refined standard construction contracts, and technical guidance and standards for specific engineering areas.
- *Food manufacturing, quality and safety:* The Executive Director recognizes the complexities and challenges of handling processed commodities and the risks associated with manufacturing nutritious products in emerging and developing markets. She has approved an in-depth audit of food quality, which will be conducted in 2014 and will inform process management. With the support of food industry leaders, WFP will accelerate its efforts to improve food safety and quality management, enhancing in-house capacity in three main areas:
  - supply chain – planning, procurement, superintendence, transport, storage and distribution;
  - product value chain – manufacturing, product shelf-life, specifications, packaging, product standardization and development; and
  - operational context – national regulatory frameworks and laboratory facilities.

## **Section: Audit Recommendations**

8. The Executive Director takes pride in the significant progress in closing high- and medium-risk audit recommendations, following a review she authorized of outstanding recommendations from 2009–2013. She welcomes the Inspector General's rigorous follow-up to close all recommendations that have been implemented.

## **Section: Strengths/Good Practices**

9. The Executive Director welcomes the positive comments on the good practices and improvements achieved (paragraph 30) and supports the suggestions for further enhancements. She is pleased that the Office of the Inspector General shares these practices as models for improved processes at country offices and Headquarters units. Under the Business Process Review, delegations are being revised to reduce process layers and increase administrative efficiency and controls. Two circulars on delegated authority for food procurement and micro purchase orders outside Headquarters were issued in 2013. Additional efforts include exploring how to strengthen emergency preparedness and response in corporate Level 3 emergencies by linking standard delegations of authority to associated levels of access in the WFP Information Network and Global System (WINGS). The Executive Director has approved an audit of WINGS in 2014 to reinforce formal internal controls.

## **Section: Investigations**

10. The Executive Director appreciates the proactive approach of the Office of Inspections and Investigations in reviewing the internal justice system and redirecting investigative activities in line with the changing nature of WFP operations. She also welcomes the outreach and awareness training that is conducted for staff worldwide.

## **Paragraphs 40–47: Results of Investigative Work**

11. The Executive Director appreciates efforts by the Office of Inspections and Investigations to establish a robust review mechanism to assess the reliability, relevance and impact of allegations and determine whether the criteria for opening an investigation are met. The decision to transition from formulating recommendations to suggesting actions by management is another of the many measures fostering enhanced efficiency and accountability.
12. Losses to WFP from the cases investigated by the Office of the Inspector General amount to USD 444,349. Although this is a four-fold increase from 2012, it represents less than 0.01 percent of WFP's total annual expenditure, which exceeded USD 4.5 billion in 2013. WFP continues to maintain zero tolerance of all fraud and corruption.