**FINANCE COMMITTEE**

### Hundred and Ninety-second Session

**Rome, 1-3 June 2022**

### Note by the Executive Director on the annual report of the Inspector General

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EXECUTIVE SUMMARY

➢ This document presents the Executive Director’s comments on the annual report of the Inspector General. It comments on the work of the Inspector General and the functioning of the Office of the Inspector General (OIG) and its two units, the Office of Internal Audit (OIGA) and the Office of Inspections and Investigations (OIGI).

➢ The Executive Director places a high value on the annual report from OIG with its insights and identification of possible risk areas, not least during these challenging times.

➢ The note by the Executive Director should be read in conjunction with the management review of significant risk and control issues, 2021 (hereafter: management review), which incorporates comprehensive findings from the annual Executive Director assurance exercise and oversight document. The management review outlines significant risk and internal control issues and the steps that the organization is taking to address them.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

➢ The Finance Committee is requested to review the “Note by the Executive Director on the annual report of the Inspector General” and to endorse it for consideration by the Executive Board.

Draft Advice

➢ In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to approve the draft decision as outlined in the document “Note by the Executive Director on the annual report of the Inspector General”.


Note by the Executive Director on the annual report of the Inspector General

Introduction

1. This document presents the Executive Director’s comments on the annual report of the Inspector General. It comments on the work of the Inspector General and the functioning of the Office of the Inspector General (OIG) and its two units, the Office of Internal Audit (OIGA) and the Office of Inspections and Investigations (OIGI).

2. The Executive Director places a high value on the annual report from OIG, with its insights and identification of possible risk areas, not least during these challenging times. However, this year the document has been modified in contrast to prior years and has been shortened significantly.

3. The note by the Executive Director should be read in conjunction with the comprehensive management review of significant risk and control issues, 2021 (hereinafter referred to as the “management review”), which incorporates findings from the annual Executive Director assurance exercise and from oversight documents.

4. The management review outlines significant risk and internal control issues and the steps the organization is taking to address them. Therefore this note does not specifically address the topical themes outlined in the annual report.

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1 WFP/EB.A/2022/6-F/1.
2 WFP/EB.A/2022/6-G/1.
Assurance statement

5. The Executive Director welcomes the report's overall conclusion that OIG did not identify any material weaknesses in the governance, risk management or control processes in place throughout 2021 that would seriously compromise the overall achievement of the strategic and operational objectives of the organization. This is a testament to the strength of the organization and its processes and systems as WFP in 2021, a year marked by ongoing conflict in many locations as well as the coronavirus disease 2019 (COVID-19) pandemic, reached its highest number of beneficiaries ever.

6. The Executive Director acknowledges the areas identified as needing improvement and reiterates the organization's strong support for accountability and transparency in resource use and risk management. WFP assures its donors and stakeholders that robust processes are in place and that follow-up is continuous. The Executive Director continues to support WFP's internal audit strategy developed in 2015 and further revised in 2020 for the years 2021–2023, which is consistent with WFP's strategic objectives and centred on proactive risk management practices.

7. The Executive Director notes the value of OIG's continued contribution to strengthening WFP's controls, governance and risk management. The Executive Director takes note of OIG's recommendations and welcomes the overall findings in the 2021 report, which highlight progress in several areas.

Statement of independence

8. The Executive Director is pleased to note OIG's confirmation regarding its independence, the absence of management interference in its work planning or reporting and the absence of resource constraints or other issues affecting the independence of oversight activities or the assurance opinion.

General comments

9. In line with last year, there was a need to increase the overall budget for OIG in 2021. The workload increased, particularly for OIGI, and thus the budget was augmented by 10 percent. As noted in the report, the increase in allegations received is probably the result of people being willing to report concerns and the organizational focus on speaking up. The organization remains committed to an expeditious but thorough review process for all complaints received.

10. While the COVID-19 pandemic continued to affect WFP operations in 2021, including the work of OIG, the office was able to increase substantially the number of audits issued, on par with the number issued in 2019, before the COVID-19 pandemic.

11. During 2021, the organization maintained a strong focus on the issue of audit response, and particularly overdue audit actions, and thus the Executive Director is pleased to note that for the second year in a row there has been marked improvement in the implementation and closure of audits.

12. The Executive Director compliments OIG for its consultative process when designing the assurance work plan. Senior management plays a key role in identifying possible risk areas and areas of concern, while recognizing that WFP frequently operates in challenging contexts. Moreover, as noted in the report, WFP has in recent years undergone rapid growth in resources and employees in order to meet the needs of its beneficiaries, and there is thus a need to maintain a strong focus on oversight mechanisms and processes and scale them accordingly while ensuring that they do not become an impediment to getting the work done.
13. The Executive Director maintains a strong focus on strengthening gender awareness and parity across the organization as outlined in the 2018 gender parity action plan and continues to follow the issue closely. While significant progress has been made in the area in recent years, including through several initiatives launched by the relatively new Workplace Culture Department and the issuance of the new gender policy\(^3\) in early 2022, the Executive Director welcomes the audit on gender and diversity planned for 2022.

**Overview of the activities of the Office of Internal Audit**

14. The Executive Director wishes to reiterate management’s appreciation for the remote assurance work completed during the COVID-19 pandemic yet welcomes the return to more normal audit procedures and the strong focus on field operations in 2021. Of 33 issued advisory assurance and special purpose audits, 16 of the 22\(^4\) assurance audits were focused on country office operations and provided OIGA with the opportunity to test its new approach to country office audits whereby it focuses on five core areas: beneficiary management, cash-based transfers, supply chains, monitoring and finance.

15. The Executive Director takes note of the main themes and risk areas identified during 2021. While there are some recurring issues, e.g. workforce planning, significant progress is being made in all identified areas. The Workplace Culture Department, which was established in the latter half of 2020, has spearheaded several initiatives during 2021, including the development of a comprehensive people policy\(^5\) complemented by a robust staffing framework that will ensure an agile workforce to meet the needs of the organization while also addressing the issue of short-term staff in a more comprehensive manner. Moreover, the composition of the various reassignment committees was adjusted to optimize the reassignment process, seeking to address the challenges faced by many offices. The organization is currently in the process of identifying a new assistant executive director to head up the Workplace Culture Department, who is expected to accelerate this work even further.

16. Another area where substantial advancement has taken place is data protection. Following an extensive recruitment process, a data protection officer was onboarded in March 2021 and the Global Privacy Office established later in the year. The office will place a priority on the issues of data protection governance, guidance, tools, training and awareness. Implementation will commence in earnest in 2022, ensuring that WFP is able to meet its data protection and privacy obligations vis-à-vis all stakeholders and engaging closely with relevant entities to ensure that it meets the highest standards.

17. Beneficiary management has been another recurring theme and, with the establishment of a new cross-cutting Identity Management Steering Committee headed by the Assistant Executive Director, Programme and Policy Development Department, issues in this area, including data collection requirements, use of biometric data and data sharing with governments, will be addressed in a cross-functional manner at the appropriate level.

18. The OIG report once again highlighted the challenges associated with shadow information technology, which is mainly driven by a lack of adherence to existing policies. To mitigate these challenges, the Technology Division has been implementing governance measures for information technology investments and has also established a field software development network to ensure that country offices and other offices comply with established processes and consult the Technology Division.

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\(^3\)“WFP gender policy 2022” (WFP/EB.1/2022/4-B/Rev.1).

\(^4\) Note that a total of 22 audits are listed in the annual report as having been issued in 2021, but two received no rating, as one was a follow-up while the other was limited in scope.

\(^5\) “WFP people policy” (WFP/EB.A/2021/5-A).
19. This information is further complemented by the management review as well as the management response developed by the responsible division or office in response to each audit, which is, in accordance with the oversight reports disclosure policy approved by the Executive Board, displayed on WFP’s external website.

20. The annual report once again illustrates a fairly strong audit landscape. Of the rated audits, 70 percent were deemed satisfactory or to require some improvement, while only one received an unsatisfactory rating. At the same time, there has been a substantial reduction in the number of outstanding and overdue audit actions. The Executive Director once again extends his appreciation to all WFP offices for their diligent attention to these matters even while dealing with the exceptional demands of responding to concurrent high-level emergencies and the COVID-19 pandemic.

21. Due to the continuous focus on audit follow-up during 2020 and 2021, the number of overdue audit actions has continued to decrease, and the Executive Director commits to maintaining a tight focus on this area to ensure continued accountability and transparency.

Audit agreed actions

22. The combined efforts of OIGA, the Enterprise Risk Management Division and the Office of the Executive Director have ensured consistent follow-up on audit findings and, as noted in the OIG annual report, overdue audit actions at the end of 2021 were at an all-time low for the second year in a row.

23. In 2019 a total of 85 new high-risk internal audit actions were issued across WFP operations, nearly triple the number in 2018. In contrast, only 56 were issued in 2020. While this low number could be attributed mainly to the decrease in audits conducted as a result of COVID-19, the positive trend continued in 2021. The number of audits increased from 13 in 2020 to 22 in 2021, yet the number of high risk actions was 59 in 2021.

24. The highest number of audit actions was issued in the areas of supply chain, beneficiary management and cash-based transfers, which also correspond with the new approach undertaken by OIGA to country office audits.

25. The OIG report notes that 28 audit actions were overdue by the end of 2021, a slight increase from 2020, when the number was 19. It also notes that the vast majority of actions have been open for less than a year, thus demonstrating that offices are able to meet deadlines. Moreover, the reasons for the delays are known and are often caused by changes in circumstances.

26. While the Executive Director takes note of the overall positive trends, it is essential that OIGA continue to work closely with offices to guide and assist as needed, including on the issues of more realistic timelines and clear definition of agreed actions.

Overview of the activities of the Office of Inspections and Investigations

27. The Executive Director confirms that WFP continues to reinforce its policy of zero tolerance for inaction on matters of fraud, corruption, sexual exploitation and abuse and any form of harassment, including sexual harassment, in the workplace.

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6 Revised policy for the disclosure of oversight reports issued by the Office of the Inspector General (WFP/EB.A/2021/5-C/1).

7 Audit Reports (WFP website).
28. As noted at the beginning of this note, it should be considered positive that the number of allegations has increased once again. While ideally there would be no allegations, such a hope is unrealistic in any organization and particularly one of the size and scale of WFP, with some 22,000 employees and numerous cooperating partners and vendors. Given this reality, the number of allegations should be seen as a healthy sign that people feel secure in bringing their concerns and allegations to OIGI.

29. OIGI has seen a marked increase in complaints received (2017: 186; 2018: 386; 2019: 584; 2020: 616; 2021: 778) in recent years, which has necessitated additional resources. The budget for OIG was increased by 10 percent during 2021, mainly to support OIGI, but despite these additional resources each investigator now manages 22 cases, up from 14 in 2020 and 6.5 in 2017. The complaints received in 2021 represent a 26 percent increase compared to 2020, and thus OIGI continues to strengthen the workflow procedures put in place during 2019 with an improved intake team and alternate resolution mechanisms for addressing complaints in a timely and effective manner. As part of these workflow procedures, cases with allegations of sexual violence and sexual harassment take priority over others.

30. The Executive Director extends his appreciation for the work done by OIGI to continuously strengthen processes and to enhance collaboration with cooperating partners on oversight matters.

31. Workplace culture, and any misconduct related thereto, has been a key focus since the 2018 global staff survey (GSS) and the 2019 external review of WFP’s workplace culture and ethical climate. While the Executive Director recognizes that substantial work remains to be done, the 2021 GSS provided a strong indication that the organization is on the right path. With a participation rate of more than 84 percent, the GSS noted the best results since 2012. Overall, 76 percent of respondents indicated that they were either extremely or highly satisfied with WFP as a place to work, while 92 percent reported WFP’s mission and purpose made them feel that their jobs are important.

32. As noted in the management review, findings from the 2021 GSS show improvement since issuance of the March 2018 Executive Director circular on harassment, sexual harassment, abuse of authority and discrimination (HSHAAD), which introduced anonymous and witness reporting and removed the six-month time limit for reporting allegations. A 5 percent decrease was observed in the number of employees who reported personally experiencing harassment within the past year, along with a 10 percent increase in the number of employees who said they would trust WFP to protect them if they speak out against something not being done right.

33. In February 2022 a revised Executive Director’s circular on the prevention of and response to abusive conduct was issued, building on the 2018 HSHAAD circular and complementing the revised whistle-blower policy issued in December 2020. Additional details on these initiatives, as well as increased reporting to WFP’s independent offices, can be found in the management review.

34. The Executive Director notes that the number of people reporting harassment is still too high, but he is cautiously optimistic about the progress and the initiatives that are under way. While the work done by the Workplace Culture Department, including that under the comprehensive action plan in effect from 2020 to 2021, is essential to making further progress, it cannot stand alone. Issues related to workplace culture and professional conduct are matters that concern everyone, and the Executive Director expects all employees to contribute in a positive manner.

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8 The comprehensive action plan addressed issues in six core areas of the organization: reaffirming values, leadership role, employee engagement, policy and system revisions, disciplinary process and communications.
35. WFP continues its investments in anti-fraud and anti-corruption. According to the annual report, more than half of all reported cases relate to fraud or corruption, with the vast majority related to cooperating partners and vendors. Therefore, the Executive Director finds the issuance of the revised anti-fraud and anti-corruption policy\(^9\) in June 2021 to be highly relevant as a means of educating all stakeholders on WFP’s policy and standards.

\(^9\) “Revised anti-fraud and anti-corruption policy” (WFP/EB.A/2021/5-B/1).