Finance Committee

Hundred and Ninety-sixth Session

Rome, 5-7 June 2023

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

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EXECUTIVE SUMMARY

- The 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, particularly as the organization continues to expand in terms of beneficiaries reached, activities implemented and number of employees.

- The note by the Executive Director should be read in conjunction with the management review of significant risk and control issues for 2022 (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 work carried out by OIG and the Office's commitment to ensuring the effective and efficient use of the resources of WFP and the safeguarding of its assets. The Executive Director appreciates the annual report from OIG with its insights and identification of possible risk areas, particularly as the organization continues to expand in terms of beneficiaries reached, activities implemented and number of employees.

3. In line with last year's response this note is relatively succinct, focusing on some of the key actions taken by the organization to mitigate the issues and concerns noted by OIG. Moreover, this note should be read in conjunction with the comprehensive management review of significant risk and control issues for 2022 (hereinafter referred to as the "management review"), which incorporates findings from the annual Executive Director assurance exercise and from oversight documents.

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1 "Annual report of the Inspector General" (WFP/EB.A/2023/6-D/1).
2 "Management review of significant risk and control issues, 2022" (WFP/EB.A/2023/6-E/1).

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4. The management review outlines significant risk and internal control issues and the steps that WFP management is taking to address them. Therefore, this note does not specifically address the topical themes outlined in the annual report of the Inspector General but focuses on the overall organizational response to the issues and concerns highlighted in the report.

Assurance statement

5. The Executive Director welcomes the report's overall conclusion that OIG did not identify any material weaknesses in WFP's governance, risk management or control processes throughout 2022 that would seriously compromise the overall achievement of the strategic and operational objectives of the organization. While there continue to be areas for improvement, this is nonetheless a strong endorsement of the work of WFP's 23,000 plus employees and their commitment to assisting those most in need, as well as the systems and processes in place. During 2022, WFP reached its highest ever number of beneficiaries: 160 million, an increase of almost 25 percent over the previous high number of 128 million in 2021.

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 for 2021–2023, which centres on proactive risk management practices. This focus on possible material risk to WFP's objectives also informs and guides the annual assurance workplan.

7. The Executive Director expresses her appreciation for OIG's continued contribution to strengthening WFP's controls, governance and risk management. The Executive Director takes note of the findings in the 2022 report and welcomes the recommendations for addressing the issues identified.

Statement of independence

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

General comments

9. Recognizing the ever-increasing OIG workload, particularly in OIGI, the budget for OIG was increased again in 2022 by approximately 23 percent. The increased budget allowed OIG to scale up its recruitment efforts (albeit at a slower than desired rate) to ensure adequate personnel for carrying out both assurance work and investigations in a thorough manner. The number of allegations submitted to OIGI continues its upward trajectory from recent years, which correlates with the organization's commitment and focus in these areas and greater awareness of staff about how to report potential issues. It will be important that investigations are concluded in a timely manner despite this increased workload.

10. During 2022 WFP maintained a strong focus on the issue of audit response, and thus the Executive Director is pleased to note that the overall number of outstanding audit actions was at an all-time low by the end of the year. The Executive Director commits to working closely with OIG to address the issue of overdue audit actions.

11. The Executive Director compliments OIG for its consultations with senior management when designing the annual assurance workplan. As noted in the report, OIGA relies on management in the identification of possible risk areas and areas of concern, as well as to ensure a consistent focus on oversight mechanisms and processes that are effective without
hampering WFP’s work. During 2022 the focus on field operations continued, following the challenges posed by the coronavirus disease 2019 (COVID-19) pandemic.

12. The Executive Director is keenly interested in gender parity and diversity across the organization and aims to continue to build on the progress made in recent years through the 2018 gender parity action plan. The new gender policy launched in early 2022, which aims to further mainstream gender in all aspects of WFP’s operations, establishes an important framework for ensuring that the needs and priorities of all people are reflected in WFP programmes. Hence, the Executive Director welcomes the audit on diversity and gender that is now scheduled for 2023.

13. While the Executive Director appreciates that the organizational focus on speaking up has led to employees, partners and vendors feeling more confident in submitting cases for consideration by OIGI, she is nonetheless concerned about the continuous increase in cases in recent years. There will continue to be a focus on creating a safe environment for all employees, partners and vendors. Moreover, the Executive Director acknowledges the seriousness of having 9 percent of senior level staff currently under investigation, while noting that it reiterates the organization’s commitment to stamping out inappropriate behaviour at all levels across the organization. The swift conclusion of investigations, especially those involving senior managers, will be crucial to setting the tone at the top early on in 2023.

Overview of the activities of the Office of Internal Audit

14. The Executive Director wishes to reiterate management’s appreciation for the strong focus on field operations throughout 2022, which signals a return to more standard assurance work than what was feasible during the COVID-19 pandemic. In 2022, more than 70 percent of the issued audits related to country office audits. Due to a change in the reporting timeline for OIGA activities, the number of audits conducted in 2022 seems substantially lower than in 2021, but the Executive Director welcomes the 2023 assurance workplan, which includes plans for no fewer than 29 audits.

15. The Executive Director takes note of the main themes and key issues identified during 2022. While there are some recurring issues, e.g., workforce, shadow software and cooperating partners, there is also progress being made in all identified areas. The paragraphs below highlight some of the ways that offices are addressing the concerns raised by audits and other oversight measures.

16. While it is recognized that workforce planning and adequate staff capacity in offices continue to present challenges, the staffing framework introduced in 2021 following the issuance of the people policy, has ensured more transparent processes and enhanced contract types. While recruitment time has increased in some areas, the Human Resources Division is working diligently to expedite related processes, not least for field-based positions. Moreover, the organization is currently in the process of identifying a new deputy executive director to head up the Workplace Culture Department, who is expected to accelerate this work even further.

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3 “WFP gender policy 2022” (WFP/EB.1/2022/4-B/Rev.1).
4 A total of 14 audits were issued in 2022, but it should be noted that this covers only the timeframe April to December 2022, as the reporting timeline was changed to be calendar year with this year’s report. Out of the 14 audits, one was a follow-up with no audit rating. In addition, the Office issued seven advisories and other types of ad-hoc services.
5 Ten audits are from 2022 and 19 will commence in 2023, but may not be issued during the calendar year.
6 “WFP people policy” (WFP/EB.A/2021/5-A).
17. In terms of beneficiary management, and specifically targeting, the Research, Assessment and Monitoring Division (RAM) and the Programme – Humanitarian and Development Division (PRO) have made some progress. Guidance notes have been issued and a joint Executive Director’s circular entitled “Management of Targeting Processes by WFP Offices” (OED2022/026) was issued in late 2022. RAM and PRO co-lead a targeting strengthening initiative, focusing on staff capacity and direct support to country offices. Moreover, targeting officer positions have been established at the regional bureau level. Striving to implement needs-based rather than status-based assistance to refugees, WFP established and is co-leading the Joint Programme Excellence and Targeting Hub with the Office of the United Nations High Commissioner for Refugees.

18. RAM has developed a risk-based monitoring framework in response to the need for systematic and consistent risk management processes to support the planning, execution and oversight of the monitoring function at the regional bureau and country office levels. RAM has further developed and issued guidance to ensure that WFP monitoring systems produce high quality data measuring the outputs, outcomes, cross-cutting priorities and processes of WFP’s programmes at the country office level. Moreover, recognizing the current challenges with monitoring, RAM will continue to support country offices in ensuring that new country strategic plans provide for adequate staffing and budgeting, including staff at appropriate grades focused exclusively on monitoring.

19. The cross-functional Identity Management Steering Committee established in 2021 and headed by the Deputy Executive Director, Programme and Policy Development Department, continues its work to develop strategic guidance on identity management, including coordinating operational and policy decisions on how assistance is provided digitally, for example how beneficiary data is stored. The committee’s current focus is on setting principles and standards that country offices can apply in navigating important decisions, for example about providing technical assistance on identity management, data transfers to and from governments, and data minimization, including the question of when the use of biometrics is appropriate. The normative framework and detailed technical guidance are expected to be finalized in 2023 to guide the organization in dealing with these sensitive and vital issues.

20. The Supply Chain Operations Division (SCO) has undertaken initiatives during the last two years to address some of the issues raised in the annual report. In 2021 it initiated a review of vendor management processes, leading to a procurement business process review aimed at improving procurement process efficiency and governance structures and upgrading procurement technology. Within this broad framework, a supplier relationship management project was launched in early 2022 to strengthen WFP’s vendor management processes. Both initiatives are due to be completed in 2024. Recognizing the growth in service provision activities, SCO supported the development of an Executive Director’s circular on service provision (OED2023/006), published in early 2023. SCO itself is issuing guidance on full cost recovery. Food safety and quality remain priorities for the division, and the first comprehensive food safety and quality manual outlining guidelines for procurement, logistics and warehouse management, was issued in 2022.

21. Cash-based transfers continue to increase across WFP operations. The cash assurance directive issued in 2022, together with the cash assurance framework and a cash assurance technical note, provide the overarching guidance framework for country offices to use in managing the main risks related to cash operations. In relation to the management of financial service providers, a new technical note that formalizes significant improvements to the financial service provider selection and contracting process has just been published. Acknowledging the challenges related to reconciliation, the division continues to work with country offices to encourage the use of centralized reconciliation services, which oversight bodies have also recommended.
22. The concerns related to data management are addressed in a new information and technology strategy for 2023–2026, which took effect in April 2023. A key objective of the strategy is to strengthen data management, including by strengthening governance, data literacy and supporting systems as foundations for responsible data insight and evidence-based decision making. This will be further expanded in a forthcoming data strategy; in addition a strategy on WFP’s approach to artificial intelligence will also be formulated to further instil insight-driven decision making and achieve efficiency gains while being cognizant of the potential ethical and other risks.

23. Acknowledging the issues related to corporate information systems, it should be noted that the Technology Division (TEC) is formulating a WFP enterprise architecture strategy for the development of a digital blueprint based on established business strategies and the assessment of the existing information system landscape. This assessment will evaluate the health of the systems and identify any gaps. In addition, TEC and the Cash–based Transfers Division are conducting a review of systems in support of identity management and cash-based transfers.

24. WFP’s continued reliance on digital services entails increased security risks, as noted in the annual report. TEC is in the process of implementing a “zero trust security framework” to protect WFP and its data against an ever-increasing number of cyber threats. The framework is intended to fortify key elements of the information technology (IT) landscape (e.g., identity management, devices and data), including by providing for segregation to limit lateral movement in the event of a cyber breach. Moreover, the IT security team is building dashboards that will show the compliance of all country offices, networks and systems. The implementation of the framework will also raise awareness of IT security risks relevant to all WFP employees.

25. A recurrent subject in the annual report is third-party management with regard to both non-governmental organizations (NGOs) and government cooperating partners. Country offices as well as the NGO Partnerships Unit are aware of the challenges related to capacity, performance and awareness of issues such as fraud and sexual exploitation and abuse risks. Various initiatives have been launched in 2022, including a new field-level agreement template governing the contractual relationship between WFP and its cooperating partners, which incorporates issues of gender and fraud, as well as the inclusion of anti-fraud and anti-corruption materials in NGO training. This is an area that will require additional attention during 2023 to address NGO training.

26. The above 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 OIG internal audit, which is, in accordance with the oversight reports disclosure policy, approved by the Executive Board and displayed on WFP’s external website.

27. In line with the previous OIG annual report, the OIG annual report for 2022 reveals a fairly robust audit landscape. While 7 percent of the rated audits resulted in a satisfactory score, more than 70 percent were deemed to be satisfactory while requiring some improvement. There was no unsatisfactory rating. At the same time, there has been a substantial reduction in the number of outstanding audit actions, and as noted earlier the year 2022 represented an all-time low. The Executive Director extends her appreciation to all WFP offices for their diligent attention to assurance work and recognition of its importance.

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7 “Policy for disclosure of oversight reports” (WFP/EB.2/2012/4-A/1).
8 WFP. 2022. Audit Reports (WFP website).
Audit agreed actions

28. In 2019 the number of high-risk internal audit actions almost tripled compared to 2018. However, in every year since then there has been a marked decrease. In 2022, high-risk actions accounted for 26 percent of all audit actions, compared to 33 percent in 2021.

29. The highest number of audit actions was issued in the areas of budget and resource management as well as supply chain management. This was followed by beneficiary management, cash-based transfers and information technology.

30. Despite a continuous strong focus on audit follow-up during 2022 and an all-time low of outstanding audit actions at the end of the year, the number of overdue audit actions increased in 2022 compared to 2021. The OIG report notes that 40 audit actions were overdue by the end of 2022, a substantial increase over 2021 when the number was 28. Of greater concern is that almost half of those actions have been open for more than a year, showing that offices are currently unable to meet the deadlines. The reasons for the delays are generally known and are often caused by changes in circumstances, and it is essential that the affected offices prioritize the audits.

31. The Executive Director will work closely with OIG and relevant offices to address this issue and thus ensure continued accountability and transparency, yet it is also essential that OIGA continue to work closely with offices to guide and assist as needed, including to ensure that timelines are realistic and agreed actions clearly defined.

Overview of the activities of the Office of Inspections and Investigations

32. OIGI has seen a marked increase in complaints received (2018: 386; 2019: 584; 2020: 616; 2021: 778; 2022: 915) in recent years, which has necessitated additional resources. The budget for OIG was increased by more than 20 percent during 2022, mainly to support OIGI. The additional resources, which have been used primarily for additional recruitment, have slightly decreased the caseload for each investigator, who now manages 20 cases compared to 22 cases in 2021; however, the caseload represents a significant increase compared to 14 in 2020 and 10 in 2017. The complaints received in 2022 represent an 18 percent increase over 2021, and it is therefore noted with appreciation that OIGI continues its recruitment efforts and the refinement of its intake procedures. It should be noted that cases with allegations of sexual violence and sexual harassment take priority over others.

33. As noted at the beginning of this note, the increase in allegations submitted should not necessarily be seen as a negative development. WFP has undertaken significant efforts through OIG and the Workplace Culture Department to develop an organizational culture in which people are not afraid to report issues, and thus a higher number of submissions must be anticipated. This includes various hotlines and other reporting mechanisms that are made known to employees as well as vendors and partners. Furthermore, the organization increased its workforce by more than 9 percent, to 23,000 employees, from 2021 to 2022; it also works with a large number of partners and vendors.

34. Recognizing that protection from sexual exploitation and abuse (PSEA) goes beyond WFP employees, in 2022 WFP, together with the International Organization for Migration and Translators without Borders, developed “PSEA at the Frontline”. This initiative is aimed at providing frontline workers and partners with critical knowledge on PSEA through simplified communication materials, which are being disseminated through the Inter-Agency Standing Committee.

35. The Executive Director reaffirms WFP's strong commitment to the 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.
36. Investigations related to anti-fraud and anti-corruption constitute the largest caseload concerning cooperating partners and WFP employees, followed by harassment, abuse of authority and discrimination. Allegations are levelled mainly at cooperating partners, with WFP employees accounting for 46 percent of all subjects of investigation (146 of 318). In this context, the Executive Director extends her appreciation for the work done by OIGI to enhance collaboration with cooperating partners on oversight matters.

37. However, it is with some concern that the Executive Director notes that staff at the D-1 level and above represent about 5 percent of total subjects of investigation (17 of 318), primarily for allegations related to behavioural issues. While it demonstrates that the organization takes its commitments seriously at all levels, it also illustrates that significant work remains to be done to enhance workplace culture at WFP. The Executive Director is committed to working with all entities to develop the best possible culture, in which all employees are free from discrimination and abuse and violations are not tolerated regardless of the perpetrator’s level. Investigations of this nature and involving senior staff should therefore be prioritized and concluded swiftly in order to address the issues and set a good example at the top of the organization.

38. In February 2022 a revised Executive Director’s circular on the prevention of and response to abusive conduct was issued, building on the 2018 circular on harassment, sexual harassment, abuse of authority and discrimination. As outlined in the management review, the revised policy clearly described roles and responsibilities for the development of a respectful and inclusive workplace and was widely disseminated through internal communications.

39. It is expected that this new policy will continue to strengthen WFP’s efforts to eradicate various types of harassment. The impact of the 2018 circular was clearly witnessed in the results of the 2021 global staff survey, and hopefully this will also be the case when the next survey takes place in 2024.

40. The Executive Director welcomes WFP’s new code of conduct (OED2022/014), which was issued in 2022 with a strong focus on WFP’s values and conduct regarding confidentiality, data protection, diversity, gender equality and other issues. The Executive Director believes that the new code of conduct will serve as an effective framework guiding WFP’s 23,000 employees in their decision-making.
# Acronyms

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<th>Description</th>
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<tr>
<td>COVID-19</td>
<td>coronavirus disease 2019</td>
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<tr>
<td>IT</td>
<td>information technology</td>
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<td>NGO</td>
<td>non-governmental organization</td>
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<td>OIG</td>
<td>Office of the Inspector General</td>
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<td>OIGA</td>
<td>Office of Internal Audit</td>
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<td>OIGI</td>
<td>Office of Inspections and Investigations</td>
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<td>PRO</td>
<td>Programme – Humanitarian and Development Division</td>
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<tr>
<td>PSEA</td>
<td>protection from sexual exploitation and abuse</td>
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<td>RAM</td>
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<td>SCO</td>
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