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FINANCE COMMITTEE

Hundred and Fifty-eighth Session

Rome, 11 - 13 May 2015

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

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

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EXECUTIVE SUMMARY

- This document presents the Executive Director's comments on the annual report of the Inspector General. It outlines 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.

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 Inspector General".

Draft Advice

- **The Finance Committee advises the WFP Executive Board to take note of the "Note by the Executive Director on the Annual Report of the Inspector General".**



**World Food
Programme**

**Executive Board
Annual Session**

Rome, 25–28 May 2015

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

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NOTE BY THE EXECUTIVE DIRECTOR ON THE ANNUAL REPORT OF THE INSPECTOR GENERAL

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 focal points indicated below, preferably well in advance of the Board's meeting.

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DRAFT DECISION^{*}

The Board takes note of "Note by the Executive Director on the Annual Report of the Inspector General" (WFP/EB.A/2015/6-F/1/Add.1).

* 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 Inspector General (WFP/EB.A/2015/6-F/1). It outlines 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 text refers to the specific paragraphs and sections in the annual report.

ACTIONS AND COMMENTS

Paragraphs 4 and 17 and Annex I – Assurance Statement

3. The Executive Director welcomes the overall conclusion that WFP's governance, risk management and control environment is stable, with no significant weaknesses disclosed. She acknowledges that despite progress some practices need to be further improved.

Paragraph 5 – Absence of Management Interference

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, Advisory Services and Audit Results

5. The Executive Director appreciates the Office of the Inspector General's continued support as it delivers value to WFP as a business and assurance partner, particularly its advisory services regarding evolving areas of core WFP business. Of note are its quarterly advisory services for the Committee for Commodity, Transport and Insurance, which have facilitated improvements and course corrections in the areas of procurement and logistics, and its recently introduced Assurance Advisories for new business processes in particular.
6. The Executive Director notes the changes in risk ratings summarized in paragraph 18. The slight decreases in the levels of risk for internal environment, control activities, information and communication, along with the stable rating for monitoring, are a reflection of management's serious commitment to addressing risks in a timely manner.

Section: Identified Risk Areas

7. The Executive Director takes note of the continuing and emerging risk areas in 2014 and reports the following progress:

- *Cash and vouchers.* WFP has updated its business process model for the selection, design, implementation and monitoring of cash and voucher transfer modalities. It updated the implementation manual, which includes the omega value tool developed by WFP to facilitate analysis of cost-efficiency, cost-effectiveness and indirect effects of project activities.

Extensive cross-functional training of trainers was conducted on how to choose and implement transfer modalities according to programme context and objectives. More than 120 cash and voucher trainers throughout WFP from programme, finance, logistics, information and communications technology, procurement and other functional areas were trained and 11 multifunctional trainer teams were established in regional bureaux. These trainers and teams will impart skills and knowledge on cash

and vouchers to nearly 3,000 personnel and partners in 2015. Significant progress was made in developing tools for identifying, selecting and assessing financial service providers, and in encouraging identification and management of financial risks. SCOPE – WFP’s beneficiary and transfer management platform – was integrated into the cash and voucher business process and delivery platform.

- *Funding and operational budget management.* The Executive Director acknowledges the challenges to the sustainability of certain funding mechanisms, including the Immediate Response Account (IRA). The increase in the target level for the IRA, approved by the Board in November 2014, and the proposed transfer of USD 50 million from the Programme Support and Administrative Equalization Account to the IRA, are the first steps being taken to provide a permanent lending capacity for the IRA, independent of the timing and amount of donor contributions.
- *Capacity development and monitoring of cooperating partners.* The country office monitoring and evaluation tool is expected to be fully rolled out in 2015, which will make it easier for country offices to collect and maintain data on cooperating partners and operations. In July 2014, minimum monitoring requirements to be met by country offices in relation to WFP’s corporate outcomes were issued; they also stipulate output indicators, cross-cutting indicators and guidelines for monitoring processes used in WFP interventions.

Section: Audit Agreed Actions (Recommendations)

8. The Executive Director takes pride in the significant progress made in closing high- and medium-risk audit agreed actions. She welcomes the Inspector General’s continuous support for management to ensure timely follow-up and implementation of all agreed actions.

Section: Strengths and Good Practices

9. The Executive Director appreciates the Inspector General’s recognition of many strengthened and positive practices as outlined in paragraph 23. Of note is the increase in the number of beneficiary complaint and feedback mechanisms that have been established: working with cooperating partners, almost half of all country offices have functioning complaint and feedback mechanisms that contribute to ensuring the quality and appropriateness of WFP’s assistance.¹ The Executive Director believes that the normative framework for monitoring established in 2014 along with the significant investment in staff training and capacity development will enhance WFP’s ability to design, implement and monitor programmes to improve organizational performance.

Section: Investigations

10. The Executive Director appreciates the proactive approach of the Office of the Inspector General in providing independent and objective inspection and investigative services aimed at strengthening controls. The Office of the Inspector General’s increased focus on fraud and corruption including mitigating the risks of vendor and third-party fraud supports the work of WFP’s Vendor Management Committee. WFP will recruit a vendor management officer to develop a system for vendor management and address information gaps.

¹ The figure is based on self-reporting from 61 country offices and could vary subject to verification of the status of the CFM or receipt of reports from more country offices.

11. The Executive Director stresses that WFP maintains zero tolerance of fraud, corruption and sexual exploitation and abuse, and that it continues to take measures to address risks and enhance controls and business processes in all areas. This includes the revision of the Office of the Inspector General Charter and the WFP anti-fraud and anti-corruption policy and mandatory completion by all WFP staff, effective 1 January 2015, of the eLearning course on Anti-Fraud and Anti-Corruption and Protection from Sexual Exploitation and Abuse. The Executive Director commends the Office of the Inspector General staff who continue to provide face-to-face fraud prevention training for over 450 WFP staff each year.

Section: Internal Justice Review

12. The Executive Director wishes to highlight the collaborative process carried out in 2014 among the Office of the Inspector General, the Legal Office, the Ethics Office, the Human Resources Division, the Office of the Ombudsman, the Office of the Executive Director and others to issue an action plan for improving WFP's internal justice system. Many actions have been completed and others are on track for completion in 2015.

Paragraphs 31–35: Results of Investigative Work

13. The Executive Director appreciates work 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 work to reduce turn-around times for investigations is in line with the aforementioned improvements to WFP's internal justice system and fosters enhanced efficiency, accountability and staff confidence in the process.
14. Losses to WFP from the cases investigated by the Office of the Inspector General amount to USD 850,436. Although this figure is an increase from 2013, it is less than 0.015 percent of WFP's total 2014 expenditure. The small percentage loss also reflects the impact of WFP's recently enhanced counter-fraud capacity. WFP has zero tolerance of all fraud and corruption and is taking action to minimize and recover losses.