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FINANCE COMMITTEE

Two hundredth Session

Rome, 29-31 May 2024

**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 taking into account the work 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 appreciates the annual report of the OIG with its insights and identification of possible areas of risk, particularly at a time when WFP faces challenges stemming from increasing humanitarian needs and concurrent conflicts in a less than conducive funding environment.
- The note should be read in conjunction with the comprehensive management review of significant risk and control issues for 2023, which incorporates findings from the Executive Director's annual assurance exercise and various oversight documents. 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".**



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For consideration

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

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 General¹ taking into account the work 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 welcomes the work carried out by OIG and the essential role that the office plays in providing oversight and ensuring the effective and efficient use of WFP's resources and the safeguarding of its assets. The Executive Director appreciates the annual report of the OIG with its insights and identification of possible areas of risk, particularly at a time when WFP faces challenges stemming from increasing humanitarian needs and concurrent conflicts in a less than conducive funding environment.
3. Similar to prior years, this note focuses primarily on selected key actions taken by WFP to mitigate the issues and concerns noted by OIG. This note should be read in conjunction with the comprehensive management review of significant risk and control issues for 2023,² which incorporates findings from the Executive Director's annual assurance exercise and various oversight documents.
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

¹ "Annual report of the Inspector General" (WFP/EB.A/2024/6-D/1).

² "Management review of significant risk and control issues, 2023" (WFP/EB.A/2024/6-E/1).

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focuses instead on the overall organizational response to the issues and concerns highlighted in that 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 2023 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 finding is a testament to the work of WFP, its employees and systems in a year when, despite many challenges, the organization managed to reach 150 million people in need and provide them with assistance.
6. The Executive Director takes note of the areas requiring management's attention, including some recurring issues, and reiterates the high priority that the organization places on clear accountability, transparency in resource use and strong assurance and risk management. WFP assures its donors and stakeholders that robust processes are in place and that follow-up on identified issues is continuous. The Executive Director supports the audit strategy, which centres on proactive risk management practices, identifying the areas of greatest risk to the organization. The focus on material risk to WFP also informs and guides the annual assurance workplan, and the Executive Director expresses her appreciation of the ambitious plans for 2024, building on the comprehensive work carried out in 2023.
7. The Executive Director also expresses her appreciation of OIG's continued contribution to the strengthening of WFP's controls, governance and risk management. The Executive Director takes note of the findings in the 2023 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. During 2023, OIG once again observed an increase in its overall workload, particularly for OIGI. In 2023, the overall budget for OIG increased by about 9 percent, or USD 1.5 million, allowing OIG to proceed with ongoing recruitment efforts aimed at ensuring adequate personnel for the increased workload of OIGI, in accordance with established standards. The number of allegations reported to OIGI continues to increase, not least owing to WFP's focus on and prioritization of these issues, and thus the increase in OIGI staff numbers is welcome. In the year ahead, minimizing staff turnover while continuing with recruitment efforts will be essential.
10. Despite a continuous focus on audits and the actions that they recommend, it is regrettable to note that the number of overdue audit actions rose during 2023. A comprehensive follow-up exercise aimed at reducing the number of overdue actions will be carried out in close coordination with OIGA. It is also noted that the overall number of open actions has increased, not least because of the high number of audits carried out by OIGA towards the end of 2023.
11. The Executive Director appreciates the extensive consultations conducted by OIG in developing the annual assurance workplan, which have resulted in a comprehensive plan that takes into account possible areas of risk or concern. The assurance workplan for 2024 is ambitious and includes a high number of country audits and thematic audits. The Executive Director welcomes the plan, but encourages OIGA to work closely with the

respective offices, particularly country offices, to help ensure that audit actions are as specific and focused as possible in an environment where resources are limited.

12. The assurance work to be undertaken in 2024 should also take into account the ongoing work on the global assurance project that commenced in 2023, as the project covers many of the thematic areas raised in OIG's annual report and will contribute greatly to further enhancing and strengthening oversight processes.
13. It is expected that both the country office and the thematic audits will provide opportunities for WFP to strengthen its processes and for OIG to work in close coordination with other oversight functions such as the External Auditor, the Independent Oversight Advisory Committee and the Office of Evaluation.
14. As noted in the OIG annual report, there are numerous reasons for the increased number of allegations reported to OIGI – which rose by 61 percent compared with 2022 – not least the size of the organization and the greater awareness of issues among personnel. Nonetheless, the Executive Director is concerned about the continuous year-on-year increases in allegations of fraud, harassment, abuse of authority, discrimination, sexual abuse and exploitation committed by WFP partners, vendors and employees. Together with the senior management team, the Executive Director will continue to prioritize efforts to address these issues and ensure that WFP and its operations provide a safe environment for employees, beneficiaries, partners and vendors alike.
15. The organization maintains its strong focus on protection from sexual exploitation and abuse (PSEA), particularly in a year when the Executive Director is the Inter-Agency Standing Committee Champion for PSEA. Noting that an audit on PSEA was initially planned for 2024 as part of the approved assurance plan, the Executive Director welcomes the decision of OIG to not proceed, as the recent evaluation of PSEA conducted by the Office of Evaluation looked at the same key areas. This illustrates strong coordination between the independent offices and also ensures optimal use of resources.
16. The Executive Director continues to focus on gender equality and diversity at all levels of the organization, and thus looks forward to the audit on diversity, including gender dimensions, which is now planned for 2024.

Overview of the activities of the Office of Internal Audit

17. The Executive Director wishes to reiterate management's appreciation of OIGA's strong focus on field operations during the reporting year, continuing the trend from 2022. Of the 22 audits conducted, 15, or almost 70 percent, were country office audits, with three thematic and four information technology audits accounting for the remaining 30 percent. An additional five audits consisted of advisory opinions, proactive integrity reviews, consolidated insights and other audit products. OIGA continues to focus on operations in the thematic and geographical areas of highest risk to the organization, and the country office operations audited in 2023 accounted for no less than USD 3.2 billion in total value.
18. A significant portion of the country office audits, 60 percent, received ratings of "major improvements needed" or "unsatisfactory", with a similar trend in thematic and information technology audits. While acknowledging that these proportions are not dissimilar to those of recent years, and WFP operations are often carried out in volatile and high-risk environments, the Executive Director makes a commitment to prioritizing the issues identified in those audits, together with her senior management team.
19. Audits, whether internal or external, provide an excellent opportunity for country offices and WFP functions to identify the weaknesses and areas for improvement that they need to address to ensure that WFP maintains its ability to deliver on its commitments to donors,

beneficiaries and other stakeholders. However, as noted in the following paragraphs, there are issues that recur over the years and in multiple offices, and the Executive Director recommends that OIGA maintain its focus on identifying common trends and issuing consolidated insight reports, allowing operations to benefit from the learning of others and strengthening the management of audit knowledge.

20. The Executive Director takes note of the main themes and key issues identified during 2023. While some of these are recurring, such as those related to identity management, cooperating partners and technology, progress is being made in all areas identified, despite current funding challenges. The following paragraphs highlight some of the ways in which WFP offices are addressing the concerns raised by audits and other oversight reports.
21. The OIG annual report notes that a common factor affecting the areas in need of improvement is the unclear delineation in the respective roles of headquarters, regional bureaux and country offices. The Executive Director is in the process of addressing this issue through the organizational review launched in September 2023. With the initial departmental and division restructuring completed, the regional configuration review was launched in February 2024. The review will take into account prior corporate projects such as functional reviews and the country office support model optimization and simplification (COSMOS) initiative. An analysis of WFP's country presence will follow. These ongoing key strategic initiatives will clarify the respective roles and responsibilities of the different layers of the organization, with an emphasis on refining roles in and responsibilities for strategic guidance, technical support and management oversight.
22. With regard to monitoring, the OIG annual report notes several challenges, some of which are recurrent and linked largely to the inadequate resources available for this priority area. During 2023, there was a renewed focus on monitoring norms, as outlined in the global assurance project. Recognizing that insufficient resources have been invested in monitoring in past years, WFP has implemented a new budget structure that supports strengthened monitoring in country offices, with a 29 percent increase in budget for these activities.
23. To address the lack of coherent information technology solutions, WFP has developed standard operating procedures for process monitoring and adopted an effective system for "escalating" issues that are to be addressed at higher levels of the organization, which includes a digital corporate solution in 20 high-risk country offices.
24. WFP has also updated its minimum monitoring requirements, which serve as guidelines on the minimum coverage and frequency of monitoring activities and also outline the segregation of duties between WFP field monitors and programme officers so as to limit possible bias in data collection.
25. The management of cooperating partners continues to present challenges. The OIG annual report noted that there has been progress in addressing issues related to cooperating partners, but challenges remain, particularly regarding due diligence and other aspects of cooperating partner management. WFP currently works with more than 1,000 non-governmental organizations that vary greatly in size and capacities and include international, national and community-based organizations.
26. In an effort to strengthen the due diligence process, corporate guidance requires country offices to carry out standard due diligence by applying the verification function in the United Nations Partner Portal.³ This is complemented by the additional control mechanisms

³ The United Nations Partner Portal is maintained by several United Nations agencies, including the United Nations Children's Fund, the Office of the United Nations High Commissioner for Refugees and the Food and Agriculture Organization of the United Nations. It allows civil society organizations to view opportunities for working with various United Nations entities and complete a comprehensive registration process.

- capacity assessments, financial spot-checks, performance evaluations and improvement planning – carried out by the respective offices.
27. During 2023, WFP scaled up its internal Partner Connect programme, which aims to digitalize each step of the partnership cycle, bringing improved efficiency, transparency, integrity and – ultimately – quality assistance to WFP's beneficiaries. Partner Connect allows cooperating partners to digitally record their distribution data in near real time. In selected countries, field-level agreement governing partnerships have also been digitalized through Partner Connect. The increased use of the United Nations Partner Portal in country offices, as mandated in a 2023 directive, and of Partner Connect is expected to strengthen internal controls and assurance. Cooperating partner management is also a key element of the global assurance project.
 28. The OIG annual report noted that the areas of information technology and data management continue to have weaknesses, often related to digitization, internal controls, information security and data privacy. The Executive Director recognizes that these are complicated issues to address, particularly in a large, decentralized organization such as WFP, but it will be essential to resolve them in order to gain efficiencies and protect the organization to the extent possible. Throughout 2023, significant strides were made, including reviews of legacy systems, closer collaboration among functions, and the use of technological solutions to address control issues across the organization. In May 2023, WFP issued its information and technology strategy for 2023–2026, which maps the organization's vision for its use of technology, evidence and innovation in the future. The implementation of the strategy, together with the recruitment of a chief data officer in 2023 to work closely with the chief information officer, will address many of the issues highlighted in audits and the OIG annual report. A complementary data strategy, issued in early 2024, steers WFP's use of data, artificial intelligence and machine learning over the next three years and aims to institute better data governance, which is one of the areas of concern raised in the annual report.
 29. The Executive Director's strategic priorities entail innovation, digitalization and the provision of more efficient support to field operations. The ways in which WFP applies technological solutions will play a key role in the achievement of much-needed organizational and operational efficiency, especially in the current environment of budget constraints. Moreover, enhancing the enterprise architecture, introducing more robust policy on the governance and oversight of technology solutions and tightening cybersecurity measures will enable WFP to reduce shadow technology.
 30. As noted in the OIG annual report, cybersecurity remains a great threat to WFP. While various initiatives have been implemented, including the roll-out of a tool that assists in the management of personal devices, cybersecurity threats require all WFP employees to remain vigilant, especially in an era of increasingly dominant artificial intelligence. Cybersecurity is one of the six training courses that are mandatory for all WFP employees.
 31. The issue of data privacy is becoming increasingly prominent and needs to be addressed in a cross-functional manner and with the utmost respect for the people whom WFP serves. Data protection is indicated as a corporate risk in WFP's risk register owing to the significant risks and sensitivities related to it. In March 2024, an Executive Director's circular was issued by the Global Privacy Office covering personal data protection and the privacy framework. The guidance details all aspects of the processing of personal data and will also inform work on identity management. Relevant WFP units are working closely together to identify the best possible technological solutions for identity management.
 32. Identity management was highlighted as an area of concern in the OIG annual report and is also one of the main workstreams in the reassurance action plan that was shared with the

Executive Board in September 2023.⁴ In essence, identity management helps to ensure that WFP knows who is being assisted and who has not received their assistance.

33. Following the organizational realignment, and in recognition of the importance and complexity of identity management, which was formerly the responsibility of the Cash-based Transfers Division, identity management is now split between the Analysis, Planning and Performance Division and the Supply Chain and Delivery Division. An Executive Director's circular, expected to be issued in the first half of 2024, outlines the respective accountabilities. A two-year road map for 2023 and 2024, which has been presented to the Independent Oversight and Advisory Committee, focuses on many of the aspects raised by OIGA, and the development of related deliverables is on track, including normative products regarding the principles, standards and governance of, and technology solutions for, identity management.
34. The identity management assurance framework for in-kind food assistance, which builds on WFP's expertise and success with the cash assurance framework, is expected to be formally launched in the second quarter of 2024. The framework will provide country directors with the standards to be applied in various settings, along with technical guidance for country office teams on implementing the measures needed to meet those standards. The framework will also define the core set of standards required to manage WFP's various programme interventions in different environments, while respecting people's right to privacy and the protection of their personal information.
35. The OIG annual report noted community feedback mechanisms (CFMs) as an important topic for upcoming country office audits. The Executive Director welcomes OIG's recognition of the many steps taken to strengthen CFMs. In May 2023, WFP issued a revised version of the WFP community engagement strategy for accountability to affected people, covering the period from 2021 to 2026, of which CFMs are an important part. The comprehensive CFM toolkit was launched in January 2024 in four languages and covers all aspects of CFMs, from setting them up to ensuring that they provide robust assurance. The new toolkit ensures that WFP is accessible to the people whom it serves through an efficient system that treats users in a dignified manner and can ensure proper case-handling procedures. Country offices are also encouraged to adopt the SugarCRM corporate solution, which aims to ensure the appropriate escalation of concerns and reports to management and clear accountability for addressing those concerns.
36. As stated in paragraph 6, the Executive Director acknowledges that there are several areas in need of improvement, as outlined in the annual report, but appreciates the substantial progress made in addressing the weaknesses identified. Recognizing the size and scale of WFP, with operations in often volatile, high-risk settings, the Executive Director applauds the commitment of all employees to maintaining high standards. As WFP navigates in a more uncertain funding environment, and with the number of concurrent emergencies unlikely to decrease, it will be more important than ever to uphold those standards. WFP has procedures and processes in place that will be enhanced through the activities under the global assurance project. The ongoing realignment of the organization will also help to clarify roles and accountabilities, hence ensuring that WFP continues to meet its commitments to all stakeholders.
37. As noted in paragraph 11, the 2024 assurance workplan is ambitious with its total of 38 audits planned: 20 country office audits; 14 thematic and information technology audits, 3 of which are continuations from 2023; and 4 other assignments. The Executive Director strongly welcomes this level of ambition and believes that the audits will further strengthen WFP's robust processes and demonstrate that resources are being used in the correct

⁴ [Background note for the Executive Board: WFP reassurance plan.](#)

manner. Nonetheless, 2024 is likely to be a challenging year with multiple conflicts, a challenging resource situation, and WFP's adjustment to its revised organizational structure. OIGA is encouraged to consider the possible strain of these challenges on WFP employees, particularly in country offices, as they partake in audits, evaluations and the ongoing work related to the global assurance project.

Audit agreed actions

38. By the end of 2022, the number of outstanding audit actions was at an all-time low after extensive follow-up and outreach efforts. However, by the end of 2023, the number had regrettably increased by 87 percent. As acknowledged in the OIG report, this is mainly due to the high number of audit reports released towards the end of 2023. The number of high-risk audit actions increased by 134 percent in 2023, and now such actions account for 45 percent of all outstanding audit actions, compared with 36 percent in 2022.
39. The highest numbers of audit actions were issued in the areas of information technology, governance and risk management, and programme and supply chain. These were followed by the areas of beneficiary and identity management, and monitoring. As noted in previous paragraphs, these focus areas are covered in part by the global assurance project, the data strategy and other measures.
40. Despite a continuing strong focus on the follow-up to audits, the number of overdue audit actions also increased in 2023. The OIG report notes that 107 audit actions were overdue by the end of 2023, a substantial increase compared with 70 in 2022.
41. Following the organizational review, it is essential that audit actions are assigned to the correct offices. To ensure continued accountability and transparency, the Executive Director will work closely with OIG and other relevant offices to address the issue of outstanding actions, particularly those that are overdue. The Executive Director expects senior management to continue to prioritize this area. However, it is also essential that OIGA continue to work closely with WFP offices, providing guidance and assistance as needed, including by establishing realistic timelines and clearly defined agreed actions. OIGA should also engage closely in the implementation of the global assurance project, which will address many of the issues identified.

Overview of the activities of the Office of Inspections and Investigations

42. In recent years OIGI has seen a marked increase in the allegations received, with a rise of 61 percent between 2022 and 2023. This has necessitated the allocation of additional resources, and the budget for OIGI was increased by USD 1.5 million, or 17 percent, in 2023 to support the increase in workload. With cases carried over from 2022, and the addition of new allegations, the OIGI caseload stood at 2,364 cases at the end of 2023, and despite the recruitment of additional staff, the ratio of investigators to investigations grew to 1:22. It is therefore essential that OIGI continue its recruitment effort while also looking for opportunities to strengthen its procedures for the intake of allegations.
43. As acknowledged in the OIG annual report, the increase in new allegations should not be seen as a negative development. Over the years, WFP has sought to develop a culture in which people, whether employees, beneficiaries, partners or vendors, are empowered and feel safe in reporting issues. This work has included the introduction of various reporting mechanisms, including strengthened CFM systems, and the Executive Director also acknowledges the work done by OIGI in its outreach activities.
44. The Executive Director notes that in line with prior years, the majority of the cases reported in 2023 relate to the anti-fraud and anti-corruption policy, while the numbers of cases related to sexual exploitation and abuse, and harassment, abuse of authority and

discrimination are relatively stable. It should be noted that cases of alleged sexual violence and sexual harassment take priority over others.

45. As noted in paragraph 15, the Executive Director is the Inter-Agency Standing Committee Champion for PSEA in 2024, which will increase the attention directed to the important issue of preventing sexual exploitation and abuse. WFP will work to operationalize the victim-centred approach, promote change in organizational culture and continue to support a policy of zero tolerance for inaction in cases of alleged sexual exploitation or abuse. In September 2023, the Ethics Office and the Risk Management Division launched a revised mandatory training course focusing on anti-fraud and anti-corruption and PSEA. The training increases awareness of these issues among staff and serves as a reminder that they concern everyone.
46. Anti-fraud and anti-corruption cases accounted for 56 percent of new cases in 2023, with allegations directed mostly against the employees of cooperating partners. This is in line with the findings in prior years and demonstrates the appropriateness of the global assurance plan's focus on cooperating partners.
47. WFP employees accounted for 44 percent of the alleged perpetrators in the 396 investigations in progress by the end of 2023. The Executive Director notes that the percentage of those employees who were at D-1 level or above decreased from 5 percent in 2022 to 3 percent in 2023, and counts on the senior management team to continue prioritizing performance management and setting the right "tone at the top".
48. The Executive Director reaffirms WFP's strong commitment to the policy of zero tolerance of inaction on matters of fraud, corruption, sexual exploitation or abuse and any form of harassment, including sexual harassment, in the workplace.