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Resource, Financial and Budgetary Matters

For consideration

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

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

Draft decision*

The Board takes note of “Note by the Executive Director on the Annual Report of the Inspector General” (WFP/EB.A/2017/6-F/1/Add.1).

Introduction

1. This document presents the Executive Director's comments on the Annual Report of the Inspector General (WFP/EB.A/2017/6-F/1). It comments on the work of the Inspector General and the functioning of the Office of the Inspector General (OIG) and outlines actions to address issues raised in the report.
2. The following text refers to specific paragraphs and sections in the report.

* 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.

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Actions and Comments

Paragraph 7 – Assurance Statement – Opinion

3. The Executive Director welcomes the overall conclusion that OIG did not identify any significant weaknesses in internal control, governance and risk management processes that would seriously compromise the achievement of WFP's strategic and operational objectives. The Executive Director notes some practices that require improvement and will work with OIG, the whole of the organization and our members to implement those improvements. Furthermore, the Executive Director supports the WFP Internal Audit Strategy for 2016–2020, which is aligned with WFP's Strategic Objectives, recognizes the dynamic and difficult contexts in which WFP operates, and is centred on forward-looking risk management practices. The Executive Director is pleased to note the findings of the external assessment conducted in 2016 of the Office of Internal Audit's (OIGA's) alignment with the International Standards for the Professional Practice of Internal Auditing.

Paragraph 12 – Absence of Management Interference

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

Sections: Internal Audit and Advisory Services; Audit Results and Areas for Improvement

5. The Executive Director notes the value of OIG's continued contribution to strengthening WFP controls, governance and risk management; they play an essential role in improving the organization. The Executive Director takes note of the OIG recommendation to strengthen organizational risk assessment and is pleased that the audit review of enterprise risk management is included in the 2017 work plan.
6. The Executive Director appreciates OIGA's advice and support to the Committee on Commodities, Transport and Insurance.

Section: Major Issues Identified in 2016 and Assurance Coverage Planned for 2017

7. The Executive Director takes note of the key risk areas in 2016 and emerging risks identified for 2017 and reports the following progress:
 - *Maturity of organization-wide risk management and management oversight:* Global expectations of accountability, transparency and effective use of public resources are continually increasing. WFP must not only ensure that the funds it receives are well spent, but must also provide a high level of assurance to its stakeholders on its implementation of controls in inherently difficult environments. WFP will continue to strengthen organizational risk management and management oversight during 2017, with emphasis on strengthening the first and second lines of defence. WFP has well-established enterprise risk management and internal control management functions as part of its commitment to providing assurance on the achievement of organizational objectives. There is scope for further improvement in implementation of the processes and systems supporting these frameworks; in streamlining and integrating sub-functions, and in reinforcing ownership and accountability throughout the organization.
 - *Cash-based transfers (CBTs):* WFP is the global leader in implementing CBTs, reaching 14.3 million beneficiaries in 60 countries across 95 operations worldwide in 2016. The CBT Monitoring Toolkit, which builds on lessons learned from the field and is an integral part of WFP's global platform to enable further expansion of the use of CBTs in WFP operations and foster evidence-based information, was rolled out in July 2016 as planned. It includes the use of the mandatory set of CBT-specific questionnaires for the monitoring of CBT activities. In 2017, WFP plans for CBTs to reach USD 1.15 billion, roughly 23 percent of total work. WFP will continue to pilot innovative solutions for delivering assistance, and build capacity and knowledge within WFP and the larger humanitarian community regarding digital payments.

- *Gaps in workforce planning and talent management:* A National Staff Project was launched in late 2016 to review, evaluate and make recommendations related to working conditions and career prospects of national staff and other locally recruited employees. This includes issues related to country office oversight and support for appropriate contract modalities. Management will develop guidelines on work force planning for country offices and will identify actions including strengthening guidelines and enhancing oversight over how service contracts are used.
- *Procurement:* Focus areas in 2017 include formalizing and institutionalizing best practices; strengthening vendor management processes; systematizing, streamlining and automating processes wherever possible; and embedding a culture of risk management across procurement.
- *Information and communications technology:* As outlined in WFP's Corporate Information Technology Strategy (2016–2020), WFP will focus on ensuring that information and communications technologies adequately support the organization's Strategic Objectives in an effective, secure and efficient manner. Particular attention is placed on the availability and usage of authoritative data for improved decision-making. WFP will continue exploring emerging technologies to support the changing business of the organization.
- *Monitoring and data to provide evidence of results.* Management welcomes the audit observations concerning Third-Party Monitoring and is currently updating corporate Guidance on Third-Party Monitoring to address the audit findings.
- *Beneficiary management:* WFP will roll out the beneficiary management system, SCOPE, in all country offices for beneficiary information management, intervention setup, distribution planning and reporting. It will also offer SCOPE as a platform to be used by other partners, following a comprehensive risk assessment and with clear data sharing and operational agreements in place.
- *Non-governmental organization (NGO) partnerships:* WFP will identify and address existing bottlenecks to ensure that administrative processes cater for effective management of partnerships, including reducing delays in finalizing field-level agreements and disbursement of payments.

Section: Audit Agreed Actions

8. The Executive Director is pleased to highlight the continued progress in the implementation of medium and high-risk actions, including a 9 percent decrease in outstanding actions. However, timelier follow-up is still required by some business units. The Executive Director acknowledges and appreciates the Inspector General's role in supporting management to achieve timely implementation of agreed actions.

Section: Overview of Activities of the Office of Inspections and Investigations

9. As recently reinforced in a communication to all employees, the Executive Director strongly upholds a zero-tolerance policy on fraud, corruption, and sexual exploitation and abuse (SEA), as well as a zero-tolerance policy toward sexual harassment in the workplace. Consistent with the previous year, the Executive Director has ensured measures are taken to strengthen reporting mechanisms, raise awareness and provide training on these issues including, for example, a mandatory training course on Prevention of Fraud, Corruption and SEA at WFP, which had been completed by 10,500 employees as of March 2017.
10. The Executive Director welcomes the review of the lessons learned from the proactive integrity review (PIR) pilots, which will support the identification of improvements and the finalization of a PIR manual. The Executive Director is committed to comprehensive follow-up of all actions arising from the pilots and appreciates the recommendations of the senior cross-functional task team to strengthen the first and second lines of defence.

Acronyms Used in the Document

CBT	cash-based transfer
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
PIR	proactive integrity review
SCOPE	beneficiary management system
SEA	sexual exploitation and abuse