



World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

Executive Board
Annual session
Rome, 10–14 June 2019

Distribution: General

Agenda item 5

Date: 14 May 2019

WFP/EB.A/2019/5-C*

Original: English

Policy issues

* *Reissued for technical reasons
on 31 May 2019*

For consideration

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

Update on the implementation of the 2018 Enterprise Risk Management Policy and WFP's Anti-Fraud and Anti-Corruption Action Plan (2018–2020)

Executive summary

The Enterprise Risk Management Policy (ERM Policy) was approved during the second regular session of the Executive Board in November 2018. This document provides a status update on the implementation of the ERM policy, specifically:

- steps taken to improve the quality, consistency and link to planning processes of risk assessment work for countries, regions, functions and the organization as a whole;
- development of risk appetite metrics and thresholds for higher risk countries and functions to facilitate reporting and escalation of risks that are out of appetite;
- initiatives to build risk capability and embed best practices, including roll-out of a new system and increased investment in risk and compliance advisers in the field; and
- update on the implementation of other 2018–2019 critical corporate initiatives to strengthen risk management.

Focal points:

Mr J. Howitt
Director, Enterprise Risk Management Division
and Chief Risk Officer
tel.: 066513-2786

Ms A. Karim
Chief
Enterprise Risk Management Branch
tel.: 066513-2022

Ms M. Manditsch
Chief
Internal Controls and Oversight Branch
tel.: 066513-2547

This document also provides an update on the implementation of WFP's Anti-Fraud and Anti-Corruption (AFAC) Action Plan (2018–2020), including:

- collecting feedback from AFAC training initiatives and engagements in high-risk countries;
- building global AFAC expertise and benchmarking/sharing AFAC best practices; and
- the development of AFAC tools and guidance for country offices and key functions.

Draft decision*

The Board takes note of the update on the implementation of the 2018 Enterprise Risk Management Policy and WFP's Anti-Fraud and Anti-Corruption Action Plan (2018–2020) set out in document WFP/EB.A/2019/5-C.

Introduction

1. The 2018 ERM Policy establishes a pragmatic, systematic and disciplined approach to identifying and managing risks throughout WFP that is clearly linked to the achievement of WFP's strategic objectives. Specifically, WFP's enterprise risk management vision is to:
 - maintain a consistent risk management framework through which risks can be identified, analysed, addressed, escalated and accountability assigned;
 - achieve a common understanding of WFP's risk exposures in relation to its appetite for risk, to be able to articulate the organization's risk profile coherently internally as well as externally to donors and external stakeholders; and
 - establish a culture where risk management is linked to implementing WFP's strategic plan and considered proactively in operational decision making.
2. The Enterprise Risk Management Division (RMR) is headed by the Chief Risk Officer who reports to the Assistant Executive Director for Resource Management. The division provides leadership for the organization's adoption of best risk management practices and the continuous improvement of its internal control environment. The Chief Risk Officer also has functional responsibility for Risk and Compliance Advisor (RCA) staff in regional bureaux and country offices. The criteria for the establishment of these roles include contexts with high inherent risks, complex operations, locations where there are high levels of resource use, or offices where there are employee capacity issues.
3. RCAs are part of the second line of defense and support efficient, effective and accountable country office management through the coordination and follow up of performance, risk management and accountability activities in compliance with WFP standards. Whilst RCAs in regional bureaux and field operations report locally to regional and country directors, their direction and functional priorities are set by the Chief Risk Officer. RCAs work closely with the RMR team on ERM implementation and they perform a key role in embedding risk best practice and knowledge sharing at the country level. In addition to supporting country and regional directors with their risk and performance management responsibilities, they also act as focal points for AFAC-related initiatives. Embedded within operations, these employees provide proactive and real-time support to country and

* 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.

regional directors in fulfilling their risk and compliance obligations, as well as assurances that risk management is implemented consistently across all regions and specifically in high-risk locations.

Risk assessments

Country offices and regional bureaux

4. In 2019, risk assessment processes have been aligned to the new ERM policy and risk categorization at country office, regional bureau and headquarters level. The enhanced approach enables risk escalation and improves monitoring of mitigation actions and residual risk exposure. The time horizon and scope for risk assessments and mitigation plans, in addition to the annual review cycle, also consider corporate and country-level strategic risks and threats over the coming five years.
5. From January 2019, WFP aligned its corporate planning tools including country strategic plans (CSPs) to the new framework. All CSPs and budget revisions submitted for approval through WFP's formal review process in 2019 have applied the new categorization and include a strengthened risk management discussion.
6. Following training in all regional bureaux during the last quarter of 2018, all WFP offices conducted their mandatory 2019 annual performance planning and risk review process using the new risk management guidance on categorizing, assessing and taking action on identified risks.

Corporate Risk Register

7. WFP maintains a Corporate Risk Register (CRR) to ensure that high-level risks faced by the organization are regularly monitored by the Executive Management Group (EMG). In early March 2019, the EMG held a risk retreat to assess corporate and global risks and analyse, amongst other things, the current geopolitical landscape, the impact of trends in global and regional markets, and the transition of developing countries to prominent actors in the multilateral humanitarian and development system. Discussions revolved around three key areas of risk for the organization:
 - Need for clarity in WFP's mandate for zero hunger
 - Mismatch of staffing and organizational needs
 - Failure to optimize and leverage technology
8. From a strategic and business model perspective, whilst WFP's mandate is zero hunger, its primary contribution is often seen predominantly in humanitarian assistance and crisis. WFP is perceived to disengage too soon from humanitarian contexts without putting in place programmes to support the transition to development and effective handover. WFP's programmes, outlined in the country strategic plans, are designed to address the humanitarian–development nexus, and the enablers for peace, to successfully achieve their strategic results. Bearing this in mind programmes also need to be designed with better exit strategies. Within the current evolving global financial context, including donor fatigue and national priorities, reduced and/or restricted funding is also a risk for WFP's funding model to achieve its mandate. In the context of the United Nations Development System Reform, with different perspectives on WFP's mandate, the organization faces the risk of being misaligned with sister agencies as the new resident coordinator system goes forward, especially in relation to country-level United Nations Sustainable Development Frameworks.
9. Workforce planning risks remain a priority as WFP may continue to cope with a shortage of specific skillsets necessary to achieve all elements of its strategic plan. Risks related to human resource capacity and capability are hampered by an increasingly outdated United Nations employment system, which negatively impacts WFP's flexibility to operate.

10. Concerns related to technology advancements include data privacy risks and cyber security, specifically in the context of beneficiary protection. Whilst WFP is exposed to the risk of slow adoption of new technology, it must also invest in updating, maintaining and integrating its core applications. Changes in business processes will reduce significantly going forward as the Integrated Road Map (IRM) framework continues to be implemented, but disruption risks remain significant and have the potential for slowing operations.
11. Other risks of concern which will be captured in the new CRR include:
 - operational risks related to the inadequate availability or capacity of cooperating partners and contractual vendors;
 - fiduciary risks relating to employee health, safety and security; and
 - fiduciary risks related to breaches of obligations and failure to follow standards of conduct, including fraud prevention and detection.
12. Following the risk retreat, the CRR has been substantially updated by mapping the above risks against the new categorization and engaging risk owners on related mitigation strategies. The new corporate risks and mitigation plans will continue to be monitored regularly with the EMG at least three times a year.

Functions and process level

13. The Enterprise Risk Management Division continues to support functional and process-level risk assessments and is working with cross-functional teams to elaborate on WFP's risk appetite. This includes work to determine red lines for emergency response, and assessments for new and change initiatives as well as for regular operations. RMR continues to support sudden onset emergencies by providing staff augmentation for risk management. Going forward, working with the Emergency Preparedness and Support Response Division, RMR will ensure strengthened risk discussions in operational preparedness and emergency response documentation.
14. RMR and the wider RCA network also conduct quality assurance of risk assessments at country, regional and functional levels to ensure that risks have been identified accurately, categorized correctly and that mitigation actions are realistic given the seriousness of the risk. Assessments are reviewed by RMR centrally and material risks may be further escalated to functional and regional/executive management.

United Nations system-wide benchmarking

15. At the inter-agency level, RMR co-chairs a cross-functional task force on risk management sponsored by the High-Level Committee on Management (HLCM). In early April 2019, the HLCM endorsed a maturity model for risk management that will be used as a management and communication tool for each organization to benchmark and strengthen its risk management processes. This will help agencies to conduct risk assessments using common and more comparable approaches. Twenty-five United Nations agencies participated in the first phase of developing the maturity model. The task force's second phase of work was recently agreed and will focus on risk appetite and on tools for embedding, including the linkage of risk and internal controls.

Risk reporting

16. RMR works actively with headquarters functions, regional bureaux and L2/L3 country offices to develop risk appetite reporting using key risk indicator metrics and thresholds. Building on the ERM policy, WFP is developing a library of risk indicators to better quantify WFP's risk exposures in line with its risk appetite statements. The library will include a broad range of risk indicators for use in country offices and regional bureaux as well as corporate functions. Discussions are under way with field offices and regional bureaux to determine the most suitable metrics, with a validation exercise anticipated later in 2019, concurrent

with the roll-out of the new risk and recommendation tracking tool (see below paragraphs 20–22). In 2019, for the first time, country offices and functions are being asked to set appropriate risk appetite thresholds as part of their annual planning process, and to use the appetite reports during regular risk discussions.

17. Country and function level risk appetite will provide the basis for strengthening escalation protocols – both for risk indicators as well as for actual incidents. In principle, appetite in “amber” would require escalation to the next level and in “red” to a higher level along with a proposed mitigating action (i.e. the “path to green”). Risk issues and actions arising out of risk appetite and incident reporting will be tracked alongside oversight recommendations, giving both a forward (leading) and backward (lagging) perspective on risk profile and the control environment.

Building capability and embedding

Risk and recommendation tracking tool

18. WFP has a recognized and strong risk management culture and appetite for risk, but there is also management consensus on the need to automate our processes and embed the practice of regular risk assessment and reporting across the organization. As well as helping to standardize risk management processes and methodologies across all offices and functions, automation will also allow for greater visibility and analysis of risk information. This in turn will improve data quality and use of risk information in planning and decision-making processes.
19. As part of the Critical Corporate Initiatives in the WFP Management Plan (2018–2020), WFP recognized the need to establish an online platform to systematically manage critical risk exposures, capture and quantify risk incidents and track oversight recommendations and mitigation on a more consistent and holistic basis. A thorough procurement process was conducted during 2018 and a suitable vendor solution approved in the fourth quarter of 2018. Following licensing negotiations, the software was delivered in April 2019 and is currently being configured.
20. The new system – the risk and recommendation tracking tool – is expected to be ready for piloting in selected countries, regional bureaux and functions with risk assessment, incident capture and oversight tracking functionality from the third quarter of 2019. Wider system roll-out will follow with the objective of capturing risk assessments and mitigating actions in the system for the 2020 performance planning cycle. The RMR team is also looking to automate, at least as a pilot, elements of the annual assurance process in the system.

Employee training plans

21. In order to implement the ERM policy across WFP, employees at all levels should have basic and enhanced knowledge about their roles and responsibilities for risk management and internal control. Employees who take on specific risk review functions in the first and second lines of defense are expected to be trained on risk assessment tools and processes as well as key risk metrics. Managers will be provided with additional training to take risk-informed decisions that balance risk and opportunity. RMR will thus implement a combination of face-to-face and online training for WFP staff in country offices, regional bureaux and headquarters.
22. Initial training on the new risk concepts and categorization was conducted in the last quarter of 2018 through regional engagements with deputy country directors and performance and risk focal points. The next phase will focus on the roll-out of the risk and recommendation tracking tool. RMR plans to also conduct half day sessions with heads of functions in regard to their responsibilities for functional risk assessment, mitigation action follow-up and reporting on risk metrics. These sessions will be carried out in conjunction with the

annual regional functional workshops that take place throughout the year in collaboration with functional risk leads.

23. Online training is also under development utilizing WFP's WeLearn platform managed by the Human Resources Division. RMR will roll out "Three Lines of Defense" training for all staff by the end of 2019. Additionally, a suite of ERM learning modules is under preparation for staff with operational responsibilities, as well as senior managers and country directors. Development of these ERM learning components will take place this year, while roll-out is planned for 2020 once additional funding is secured. As risk management training is further enhanced, and in coordination with the NGO Partnerships Unit, training will also be extended and made available to key cooperating partners.

2017–2018 critical corporate initiatives to strengthen risk management

24. Oversight reports in 2017 highlighted the need to strengthen organizational risk assessment and management processes, tools and guidance, including fraud risk assessments, and ensure that they were embedded in WFP's day-to-day processes. Therefore, as a part of the WFP Management Plan (2018–2020), WFP proposed several initiatives for a total of USD 5 million, both for the newly established RMR division as well as initiatives led by other divisions to strengthen functional risk management frameworks, improve controls and prevent fraud.
25. Within the cash-based transfer (CBT) modality, WFP strengthened its data infrastructure and analytical capability in 2018. In collaboration with internal stakeholders and vendors, WFP established a data architecture for the collection and management of unstructured CBT data from multiple sources to enable centralized management and analysis, including transaction level information from any point across the CBT risk and control framework for reconciliation, payment instrument management and dormant bank balances. In 2019, WFP continues work on improving end-to-end data assurance for CBT.
26. Following the Office of Internal Audit's (OIGA's) assurance advisory report and reports from the External Auditor on decentralization, WFP conducted a review of regional bureaux and headquarters' roles and responsibilities with an emphasis on the oversight function, country office presence, and geographical scope of regional bureaux. By the end of 2018, updated terms of reference for headquarters' and regional bureaux roles and responsibilities were finalized, and preparation was under way for functional reviews (including country office participation) to determine optimal models of WFP's operational presence.
27. In 2018, WFP also initiated a review of its management and administration services manual. In consultation with country offices and regional bureaux, process leads from accommodation, asset management, engineering, facilities management, light vehicle management, protocol services, records management and travel completed the first substantial revision to the manual since 2004. Process areas were redefined, with key risk and control areas strengthened in high risk areas. The Management Services Division also strengthened administration oversight capacities in regional bureaux through recruitment of staff responsible for internal control and more structured oversight. The launch of the manual and dissemination and training will take place during 2019.
28. The Human Resources Division (HRM) is implementing various initiatives to strengthen the performance management process for different employee categories, including service contract holders. Revised performance management tools for both staff and managers will improve conversations around performance, and potential underperformance issues. In addition to revised HR procedures in this area and a supporting system architecture, including for learning, investments are also being made in training for country directors, heads of field offices and other staff, including in risk management.

29. Within the WFP Management Plan (2019–2021), the Resource Management Division prioritized budget allocations for RMR to enable a continued focus on anti-fraud and anti-corruption activities and the expansion of management oversight support. Following on from the EMG's discussion in March 2019 on new corporate risks, the resulting related mitigation action plans will be prioritized for the WFP Management Plan (2020–2022).

Overview of the WFP Anti-Fraud and Anti-Corruption Policy (2018–2020) strategy and action plan

30. A two-year AFAC strategy and action plan was developed following the establishment of an AFAC management function in RMR. Its main purpose is to build maturity and capacity in the first and second lines of defense on fraud prevention, detection and risk management, with a view to ensuring that WFP resources reach the people that the organization serves. The three phases of the plan are to:

- I. train, gather feedback, benchmark and plan (August 2018–May 2019);
- II. enhance AFAC governance, policies and tools (June 2019–February 2020); and
- III. embed AFAC standards globally (March 2020–July 2020).

A summary of work done and work to be done in each phase is provided in the following sections.

Phase I – AFAC training and feedback

31. Between September 2018 and April 2019, RMR undertook four AFAC training and feedback missions in Nigeria, South Sudan, Somalia and Afghanistan country offices. The purpose of the missions was to engage with colleagues who manage fraud risks day-to-day in higher risk functions and operating environments with a view to building AFAC capacity, while gathering feedback that will be used to inform policy, guidance and support needs.
32. Approximately 200 personnel participated in these missions including deputy county directors, heads of functions, their deputies and heads of sub-offices. Subjects covered during the training included:
- the AFAC Policy;
 - financial and non-financial consequences of fraud;
 - role of ethics in managing fraud and corruption;
 - AFAC legal framework and sanctions mechanisms;
 - lessons learned from actual fraud cases in WFP;
 - reporting suspicions of fraud and corruption;
 - key fraud indicators/red flags; and
 - fraud risk assessments.

Country director training in the Nairobi regional bureau (RBN)

33. In March 2018 RMR took part in the regional country director meeting in Nairobi with the regional bureau. The purpose of the mission was to train senior country office management on practical aspects of fraud risk management, while testing concepts for new guidance and tools. RMR delivered presentations on:
- managing major allegations of fraud;
 - essential fraud risk management principles; and
 - development of the concept of a country director dashboard to focus management attention on risk factors, red flags, and indications of AFAC maturity.

34. The Office of Inspections and Investigations (OIGI) within the Office of the Inspector General also delivered a presentation on lessons learned from actual fraud cases in WFP.

Certified Fraud Examiner training

35. From 2017 to August 2018, the Office of the Inspector General organized training sessions for relevant staff in all regions to prepare for the Association of Certified Fraud Examiners (ACFE) qualification. From September 2018, responsibility for course organization and planning migrated to RMR, who facilitated two sessions in the regional bureaux in Cairo and Johannesburg in late 2018. More than 200 WFP personnel have undertaken this training to date.
36. The one-week course was designed to equip participants with the knowledge required to pass the four-part Certified Fraud Examiner (CFE) exam and to familiarize them with AFAC policy, frameworks, and practices at WFP. The week included four days of external training by ACFE and one day of WFP-led training provided mostly by RMR and OIG. The CFE training sessions were also used to leverage additional feedback from participants.

Phase I – Building Global AFAC Expertise

37. An AFAC specialist based in Rome joined RMR in September 2018. Recruitment is currently ongoing for regional AFAC experts in Cairo and Nairobi. Their role will include:
 - delivery of training and developing scalable training solutions;
 - support for functional and operational risk owners on high-priority AFAC issues;
 - recommend risk appetite measures and reporting/escalation standards; and
 - support for OIG investigations where required.
38. RMR plans to establish an AFAC community of practice, made up of WFP ACFE members together with RCAs, and AFAC mission participants. RMR plans to provide a platform through an internal social network or other suitable mechanism for members of the community to continuously learn from each other as they apply knowledge gained from the CFE course and other AFAC training.
39. RMR is also seeking to engage with expertise outside of WFP and has initiated discussions with relevant functions at the World Bank, the Food and Agriculture Organization of the United Nations (FAO) and with the United Nations Finance and Budget Network aimed at benchmarking respective practices in AFAC.

Phase II - Development of AFAC tools and guidance

40. Based on feedback received from AFAC missions, RMR has begun developing guidance and tools to assist in preventing fraud and focus management's attention on key risks as follows:
 - internal control for fraud risk management/Fraud Prevention Handbook – the guide includes control weaknesses from actual investigation cases in WFP and practical advice on fraud risk management;
 - library of WFP specific red flags (i.e. risk indicators) compiled from contributions made by participants in AFAC training and feedback missions; and
 - catalogue of fraud schemes which could arise in programmes using CBT modality together with sample scenarios and mitigating controls.

41. Other tools and guidance materials to be developed:
- AFAC checklists for approval authorities, handovers and other key actions;
 - standard operating procedures on fraud reporting and fact-finding reviews;
 - fraud risk assessment toolkit with which RMR expects to directly support higher risk countries and functions with their fraud risk assessments;
 - AFAC awareness and sensitization materials for staff and cooperating partners;
 - video series showcasing WFP leaders sharing advice and direction on AFAC; and functional staff, fraud risk owners, and country directors sharing their experiences in handling fraud on a day-to-day basis; and
 - AFAC posters, campaigns and visibility materials.

Phase III - Embed AFAC Standards

42. Phase III, the final phase of the action plan, aims to embed the enhanced standards, policies and tools to counter fraud and corruption by reinforcing meaningful fraud reporting and the use of metrics, indicators, and other alerts. The lessons learned from the more targeted training and feedback-gathering sessions in Phase I will be used to ensure that the measures to embed AFAC standards are relevant to those who manage fraud risk in field operations.

External Audit

43. The External Auditor conducted an audit of fraud prevention, detection, and response in WFP in 2018/2019. Management responses to the External Auditor's recommendations will be presented to the 2019 Executive Board annual session.
44. The report provided guidance to enhance operationalization of the fraud management system at WFP and gave suggested reasons for underreporting of fraud in the organization.

Acronyms used in the document

ACFE	Association of Certified Fraud Examiners
AFAC	Anti-Fraud and Anti-Corruption
CBT	cash-based transfer
CFE	Certified Fraud Examiner
CRR	Corporate Risk Register
EMG	Executive Management Group
ERM	Enterprise Risk Management
RCA	Risk and Compliance Advisor
RMR	Enterprise Risk Management Division