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Annual Report of the Audit Committee

Draft decision*

The Board takes note of the annual report of the Audit Committee (WFP/EB.A/2020/6-C/1).

To the Executive Board

The WFP Audit Committee is pleased to submit its Annual Report to the Executive Board for consideration, as required under the WFP Audit Committee Terms of Reference¹ decided at the 2011 second regular session, updated at the June and November 2017 Executive Board sessions and revised at the November 2018 second regular session.

The report is intended as a summary of the principal activities and opinions of the Audit Committee from 1 April 2019 to 31 March 2020. The latter date coincides with finalization of the annual financial statements – a prime focus of the Audit Committee. More detailed information on the committee's activities can be found in the Audit Committee's meeting minutes, action items attached to meeting minutes and summaries of discussions with the WFP Executive Board Bureau.

The Audit Committee stands ready to discuss the report or any other aspect of its work with the Board.

Suresh P. Kana
Chairperson
May 2020

* 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.

¹ WFP Audit Committee Terms of Reference (WFP/EB.2/2018/10/1).

Executive summary

The Audit Committee implemented its work plan in accordance with its terms of reference with the full cooperation of the Executive Director and management.

While there are clear areas of opportunity for improvement, no material weaknesses were identified in the governance, risk management or control processes in place across WFP that would seriously compromise the overall achievement of WFP's strategic and operational objectives. Further, no material misstatements in the annual financial statements of WFP for the year ended 31 December 2019 were brought to the Audit Committee's attention. In this regard the Audit Committee relied on assurances and presentations from management, the Office of the Inspector General and the External Auditor.

The External Auditor has agreed to issue an unqualified opinion on the audited annual accounts at 31 December 2019.

This is the ninth year that WFP is providing an overall statement on internal control. This assurance is provided on the basis of controls exercised by management, the work performed by the Enterprise Risk Management Division, the Office of the Inspector General and the self-certification provided by 124 directors and managers in the country offices, regional bureaux and headquarters in Rome.

Overall the enterprise risk management process continues to evolve, and the work done in obtaining assurance from the regional bureaux and country offices on the bedding down of risk management processes is becoming more robust thus strengthening the second line of defense. However, the Audit Committee noted with apprehension that several recurrent issues from past years continued to resurface in the assurance work performed by the Office of Internal Audit in 2019, especially those risks that the WFP's management must promptly address before these significantly impact the organization's delivery, effectiveness and even credibility. In particular, 2019 has seen a rise in the number of audits that require major improvement – with a growing number of high priority recommendations – which the organization has not yet effectively addressed or resolved. More needs to be done to ensure the internal control processes in the first line of defense improve.

The Executive Director has set a strong tone from the top in relation to harassment, sexual harassment, abuse of authority and discrimination and protection against sexual exploitation and abuse policies. The inter-divisional standing committee overseeing the implementation of these policies has picked up momentum, and the Executive Director has appointed a senior advisor on workplace culture focused on developing an overall strategy to improve the culture in this area within WFP. Increased training and awareness activities are being delivered. Reporting of offences has increased significantly as has the case load of investigations.

The policy on anti-fraud and anti-corruption continues to receive focus. Seven out of the eleven recommendations of the External Auditor's performance audit on the anti-fraud and anti-corruption policy implementation conducted in 2018 have been implemented – the remaining four recommendations requiring policy amendments are planned to be addressed during 2020. Continued awareness training on the implementation of the policy has to be conducted to achieve optimal results for WFP in its aim of zero tolerance to fraud and corruption.

A new hotline available to all within WFP and external stakeholders for reporting misconduct was launched in March 2020 which offers service in multiple languages.

The Office of the Inspector General has delivered well on its audit plan for 2019. The office has now allocated its increased funding and deployed the additional capacity and achieved a broader skills base.

The number of investigations arising from the implementation of the anti-fraud and anti-corruption, harassment, sexual harassment, abuse of authority and discrimination and protection against sexual exploitation and abuse policies has increased significantly and the resource base in this area is under pressure and has to be kept under review. On one hand, the increase can be viewed positively as a result of increased awareness and an improved culture of reporting wrongdoings. On the other hand, the increase can be attributed to root causes including weak organizational culture, gaps in understanding of policies, and potential weaknesses in internal controls.

The execution of the 2020 audit plan and investigations in progress has been reviewed in the light of the COVID-19 travel restrictions and mobility constraints. Certain audits will not be completed in line with the original approved plan and the timeline for the completion of investigations will in all likelihood be extended. The Office of the Inspector General has considered a revised audit plan which will still enable them to provide assurance on the operation of WFP's internal control system. The Audit Committee approves of this revised audit plan.

With the dramatic increase in humanitarian assistance expected as a result of COVID-19, management will be stretched to ensure that higher levels of funding are secured. The internal capacity in terms of resourcing, information technology, risk management and internal controls must be enhanced to cope with the surge in activity over the foreseeable future.

Introduction and functions of the Audit Committee

Terms of reference

1. The Audit Committee's (AC) terms of reference which were adopted by the Board at its 2011 second regular session were revised at the 2017 annual session of the Executive Board to specifically include the oversight strengthening activities such as the advice on the performance of the Inspector General and Director, Oversight Office and on the annual plan for oversight activities of the Oversight Office. The terms of reference were further expanded at the 2017 second regular session to include the oversight of ethics within WFP as part of its core mandate and to change the composition of the selection panel. Based on recommendations of the Joint Inspection Unit (JIU) to enhance the terms of reference through the addition of explicit references to induction training for new members and self-assessment, the terms of reference were revised again at the 2018 second regular session. The AC Rules of Procedure, which provide additional guidance, are included as Annex I of this document. No changes are proposed to the Rules of Procedure for the AC.
2. The AC's responsibilities include advising the Board and the Executive Director on:
 - Internal audit;
 - Risk management and internal controls;
 - Financial statements;
 - Accounting;
 - External audit;
 - Values and ethics; and
 - Allegations of inappropriate activity.

Composition of the Audit Committee

3. A list of the AC's current members is provided in annex II. This composition reflects gender and regional balance as determined by the Board.

Audit Committee activities

4. This report covers the period from 1 April 2019 to 31 March 2020. It provides an overview of the AC's work and highlights issues that require the attention of the Board and the Executive Director.
5. The AC met three times during this period – in July 2019, December 2019 and, as a result of the COVID-19 travel restrictions, met virtually over two sessions in March 2020 and April 2020. Between formal meetings, telephonic conferences were held by AC members or by the AC Chair with the Inspector General, WFP management, the External Auditor and the Executive Board Secretary regarding matters that required the AC's attention. The Executive Director met with the AC in July 2019 and, because of his absence due to contracting the COVID-19 virus, the AC met with his Chief of Staff in April 2020. The AC continued with the practice of holding executive sessions with the Deputy Executive Director and the Inspector General at each of its meetings during this period. The AC also met with the Director of Internal Audit and the Director of Inspections and Investigations.
6. On the first and last days of each meeting, the AC holds executive sessions, generally with the Executive Director or Deputy Executive Director. These sessions focus on strategic issues and provide the AC with insights into WFP's priorities and needs. The sessions are also used to share the AC's insights and concerns with the Executive Director/Deputy

Executive Director/Chief of Staff and to communicate matters requiring the Executive Director's urgent attention.

7. The AC's meetings with the Executive Board Bureau continue to be an essential link to the Board. The Bureau provides the consolidated views and priorities of WFP's Member States. This interaction is the AC's primary means of advising the Board on the status of WFP's governance, ethics, risk and control efforts.
8. The Independent Audit Advisory Committee (IAAC) of the United Nations held the fourth meeting of the United Nations System Oversight Committees on 10-11 December 2019 at the United Nations headquarters in New York. A member of the AC participated at this meeting where WFP continued to be commended for its governance model, maturity and practices.
9. Field visits are critical for AC members' understanding of WFP's operations. Visits are planned in consultation with the Deputy Executive Director, the Executive Board Bureau, the Executive Board Secretariat and the country directors. Expenses are covered by the AC budget and are minimized by arranging travel in the geographic region of the AC member participating in the field visit. Subject to COVID-19 restrictions plans are being made for field visits during Q4 2020.

Enterprise risk management and internal controls

10. In 2019, the WFP spent over USD 7.6 billion, mostly in distributing food, commodities and cash-based transfers (CBTs) across a large number of crises-affected nations in Africa, the Middle East, Asia and Latin America. In doing so, it has been dealing with 18 active emergencies – of which seven were classified as Level 3 (or L3), including the latest on account of COVID-19, and 11 as Level 2 (L2).
11. Success of this far-flung multi-billion dollar global organization operating in some of the poorest and most disturbed regions of the world to dispense humanitarian and developmental assistance requires, among others, a truly effective enterprise risk management (ERM) programme backed up by a rigorous system of internal controls. The AC is explicitly tasked in its terms of reference to examine the effectiveness of the WFP's 'internal control systems, including risk management and internal governance practices'.
12. The AC noted that, over the last few years, WFP's management has been working at improving its approach to ERM and internal controls. The AC also recognized that it is an evolutionary process; and that the best designed ERM and internal controls systems can neither eliminate all risks nor prevent negative events. Equally, the AC believes that for a multibillion-dollar global organization, its ERM and internal controls need significant strengthening.
13. Hence, the AC recommends that the Board and management continue to steadily improve the processes and outcomes of ERM and internal controls; to refine the organization's risk appetite so as to make it more useful in different and increasingly complex types of risk settings; and to clearly communicate the levels of risk the organization is willing to accept under different circumstances while meeting humanitarian and developmental needs. The AC recognizes that COVID-19 has created operational challenges and consideration is being given to modify certain internal control processes under an emergency context, but management must be mindful that necessary operational objectives such as minimizing inefficiencies, curtailing waste, maintaining an appropriate level of internal controls and preventing fraud must be maintained.

14. The WFP's work on ERM and internal controls are based on the following activities:
- a) Work carried out by the Enterprise Risk Management Division which identifies risks that may affect individual business units – comprising country offices, regional bureaux and divisions and horizontal line functions at headquarters in Rome – as well as risks that are germane to the organization as a whole, especially in emergencies. Under a newer and more inclusive approach, the WFP's ERM team has classified the organization's risk appetite under 15 major areas, which further result in 41 risk sub-types. As in the AC's report last year, the AC continues to note that while work has been done to give a sense of quantitative substance to these new classifications, it remains as work-in-progress. Hence, as in the previous year, the AC is still not in a position to definitively comment on the classifications, direction, outcomes or its efficacy.
 - b) The AC was pleased to see that a risk maturity assessment was completed by the Risk Management Office in 2019. A sample of 41 offices was selected, comprising nine divisions in headquarters, all six regional bureaux and 26 different country offices. Between 5 November 2019 and 18 December 2019, directors or deputy directors of these areas were required to answer 55 questions covering six main dimensions of risk maturity. The results of this survey indicated that headquarters had relatively established standards of risk maturity whereas the regional bureaux and countries were still in the developmental stage. This is not unusual, and the AC concurs with the Risk Management Office that more work needs to be done in the regional bureaux and country offices to more fundamentally embed notions of enterprise and operational risks.
 - c) The AC noted that 2019 is the ninth consecutive year in which the Executive Director has issued a Statement on Internal Control. This statement is primarily based on a review of feedback from global management, and also considers evidence such as the Corporate Risk Register, the annual report of the Inspector General, External Auditor findings, reports from the Office of Evaluation, minutes of management committees and the AC. The statement sought detailed feedback from 127 senior managers including the Chief of Staff, the Deputy Executive Director, Assistant Executive Directors, regional directors, country directors, division directors at headquarters and others. Based on their feedback, the statement highlights two important risks and internal control issues that emerged in 2019:
 - i. work culture and conduct across the WFP; and
 - ii. food safety and quality.

While both the issues are being actively addressed by management, the AC concurs that these are significant risks that can have potentially high, deleterious reputational consequences for the organization as a whole. The statement also highlighted some other significant risk and internal control areas that carried over from 2018 to 2019. These were:

- i. management of local non-governmental organizations (NGOs) especially at the field level;
- ii. beneficiary management in some geographies;
- iii. talent management and workforce planning not only to meet surge requirements – now worsened by COVID-19 – but also for making the WFP future-ready;
- iv. operational monitoring and review systems, especially in the context of the country strategic plans; and

- v. information technology systems implementation, governance, controls and cybersecurity.
- d) With regard to the Corporate Risk Register, the AC noted that every WFP office is expected to maintain an up-to-date risk register which is a subset of the Corporate Risk Register. There are 14 major risks identified in the Corporate Risk Register, each with its i) risk category, ii) likelihood, iii) impact, iv) risk level, and v) risk owner(s). Of these, the six major risk areas were:
- i. failure to demonstrate the WFP's value proposition in development and peace building (high risk, with high likelihood and critical impact);
 - ii. misalignment between the WFP's workforce and organizational needs (high risk, high likelihood and severe impact);
 - iii. failure to adapt to shifts in the funding landscape (high risk, high likelihood and critical impact);
 - iv. weak food safety and quality (high risk, high likelihood, severe impact);
 - v. inability to deploy appropriate technology for the WFP's core systems and processes (high risk, high likelihood and severe impact); and
 - vi. failure to prevent, detect and expeditiously respond to fraud across the organization (high risk, high likelihood and severe impact).

The AC concurs with the identification and categorization of these risks, which have been separately highlighted on several occasions by internal audits, advisory assurance reports and investigations conducted by the OIG. Moreover, the AC notes with regret that, in many such instances, the decided upon corrective actions to mitigate high risks have remained unimplemented well past their due dates.

- e) Internal audits, advisory assurance and proactive integrity reviews carried out by the OIG are key documents that provide assurance on governance, policy, risk, resources, operational and accountability issues through independent and objective oversight services, to which this AC report now turns.

Internal audit and investigations

15. According to the revised terms of reference, the AC is responsible for advising the Executive Board and the Executive Director on internal audit. That includes, inter alia, oversight on the performance, staffing, resources and appropriateness of both the internal audit and internal investigation functions, as well as on the independence of the OIG.
16. The OIG is an independent oversight entity regulated by a charter approved by the Executive Director. It consists of two units: Office of Internal Audit (OIGA) and Office of Inspections and Investigations (OIGI). The work and output of both these units played a role in the OIG's assurance opinion for 2019. The AC examined the opinion of the OIG based on its internal audits, inspections, investigations and assurance services.
17. The OIGA's assurance activities are derived from an annual risk-based audit plan approved by the Executive Director after consultation with senior management and review by the AC. For 2019, its audit universe comprised 172 identified organizational entities and processes. The information technology (IT) audit and risk universe is defined and compiled separately. All auditable entities were ranked according to the probability of identified risks occurring and the consequences of the risks. These risks were rated based on a three-point scale: high, medium or low.

18. Based on this methodology, 2019 saw the completion of 30 assignments. Of these, 22 were internal audit engagements – 12 being field operations audits, one a follow-up review of a field location, six in the nature of thematic and process audits, and three IT audits. Assurance was further obtained from seven advisory assignments: on corporate resource allocation, data protection and privacy, the assurance statement and statement of internal control certification process, accountability to affected populations, a review of inter-agency partner risk arrangements, a review of an NGO and one due diligence governance review at the headquarters of a cooperating partner. A proactive integrity review (PIR) report relating to payroll in the field (PASport) system further complemented OIGA's assurance coverage.
19. Twenty-one of the 22 internal audit reports issued in 2019 were rated by the OIGA. The AC noted with concern that, of these, i) one was 'unsatisfactory' in that "internal controls, governance and risk management practices were either not established or not functioning well"; ii) 11 were 'partially satisfactory with major improvements needed'; iii) seven were 'partially satisfactory with some improvements needed'; and iv) only two received a 'satisfactory' rating. The one internal audit with no rating was a follow-up report of a 2018 unsatisfactory report and significant progress on the implementation of agreed actions was noted.
20. The AC noted with apprehension that several recurrent issues from past years continued to resurface in the assurance work performed by the OIGA in 2019, especially those risks that the WFP's management must promptly address before these significantly impact the organization's delivery, effectiveness and even credibility. In particular, 2019 has seen a rise in the number of audits that require major improvement – with a growing number of high priority recommendations - which the organization has not yet effectively addressed or resolved.
21. The main reasons that the OIG listed as causes of less than efficient internal controls in 2018 remained the same in 2019, if not exacerbated. These were:
 - a) insufficient focus on capacities and resources to effectively implement controls and procedures, the more so in emergency settings;
 - b) lack of focus and deprioritizing of key functions that provide the necessary levels of support and control to field operations;
 - c) inadequately mature risk management that is often unable to guide and align controls and systems at the levels warranted by the size, scale and scope of the organization;
 - d) inadequate use of systems and IT to streamline, simplify and automate controls, especially performance monitoring, fraud prevention and detection;
 - e) inadequate management and oversight of cooperating partners which, while recognized as a significant risk, is neither sufficiently addressed nor prioritized;
 - f) need for improvements in beneficiary management to ensure WFP's integrity and reputation; and
 - g) instances of inadequate controls relating to CBTs, which ought to be more robust and IT-driven given the size of many of these operations.
22. The AC noted and agreed with these reasons and urged senior management to address these matters as soon as possible.
23. The AC noted with considerable disquiet two key sentences in the OIG report for 2019, which are quoted here: "The work of OIGA in 2019 showed that WFP has not been effective in managing its priorities, allocating the necessary resources to those priorities and amending or correcting, if not fully resolving, the identified issues. [...] As the number of issues awaiting

resolution increase, WFP's capacity is being stretched. If not addressed, this could have a downstream effect on the organization's effectiveness in achieving its mission."

24. The AC also noted, with concern, the increase in the number of outstanding audit-agreed high-risk actions, i.e. actions that management had agreed to perform after the issuance of a high-risk audit observation but remained outstanding. In 2018, there were 44 of these outstanding at the year-end, of which 16 were overdue beyond the agreed implementation date. This has worsened in 2019, with 79 high-risk actions outstanding at the year end, of which 38 were overdue beyond the implementation date. In the AC's opinion, this is a major priority that management must address before it materially impacts the internal control framework.
25. The OIG's investigation work relating to allegations of misconduct, alleged fraud and corruption and reported violations of Staff Rules and Regulations, policies and procedures including sexual exploitation and abuse (SEA), harassment, sexual harassment, abuse of authority and discrimination (HSHAAD) are conducted by the Office of Inspections and Investigations (OIGI).
26. It should be noted that there has been a sharp increase in the intake of matters received by the OIGI over the last four years. The number of new cases has increased from 136 in 2016, to 186 in 2017, to 368 in 2018 and 584 in 2019. Consequently, the case load has risen from 153 to 201 to 402 and then to 713 over the same four-year period. In 2016, the OIGI worked on 60 investigations. This spiked to 100 in 2018, and then to 174 in 2019.
27. In 2019, the AC observed that 46 percent of the OIGI cases under investigation involved anti-fraud and anti-corruption (AFAC). Of this, one particular case involving fraudulent actions by vendors amounted to over USD 7 million; the others were relatively minor in their monetary content. Harassment, abuse of authority and discrimination accounted for another 20 percent of the cases. Sexual harassment constituted around 7 percent; while SEA accounted for another 8 percent.
28. Because OIGI case management in 2019 increased by 77 percent over the prior year, it has experienced an increasing backlog of lower priority cases which, in turn, has increased the time associated with closing these investigations. To ensure that the most critical cases be addressed quickly, the OIGI's case prioritization methodology has been improved. However, the AC noted, as did the OIG in its annual report for 2019, that if the significant increase in the number of cases becomes the new 'normal' for the organization, staffing resources of the OIGI will remain stretched.
29. The budget allocated to the OIG continued to increase from USD 9.28 million in 2018 to USD 11.33 million in 2019. Of the latter, the OIG's actual expenditure was USD 10.39 million with the difference mostly due to delays between recruiting additional personnel and onboarding them. At the end of 2019, the OIG had a team of 41 professionals that was both gender-balanced (49 percent being women) and diverse (coming from 21 different nationalities).
30. The AC recognizes a better staffing situation of the OIG, however with an unprecedented number of L2 and L3 emergencies, growth in CBT, relative weaknesses in risk maturity, outstanding high-risk audit observations and surge in investigation cases, the committee expects the OIG's audit and investigation efforts to increase in the years ahead. If management is unable to mitigate the above-mentioned factors, the Executive Board and the Executive Director will need to increase OIG's budget over the next two years.

31. The AC approved the audit and assurance plan for 2020. At present it is more constrained than the plan for 2019 or even 2018, primarily on account of difficulties in field travel in the COVID-19 scenario. It remains to be seen how many of these audits and assurance exercises can be carried out in 2020.
32. In concluding this section on the OIG's work for 2019, it is apt to reiterate the concerns raised by the OIG which have been taken on board by the AC.
33. It is true the OIG has opined that no material weaknesses were identified in the governance, risk management or control processes in place across the WFP which would seriously compromise the overall achievement of the organization's strategic objectives. Equally, the OIG has unambiguously pointed to various weakness and deficiencies that have risen more than once across different geographies and activities many of which remain unfortunately still unresolved. The AC strongly urges the Executive Director and WFP's senior management to look into this, so that these deficiencies do not continue to recur in the years ahead.

Data protection and cybersecurity

34. To address data privacy and protection, the Responsible Data Task Force has been established and a Data Protection Officer is in the course of recruitment. Specific papers on managing critical data are in the course of finalization and process design, systems and IT infrastructures are in progress. The AC will continue to monitor implementation in this important area.
35. While no organization can confirm a comprehensive response to cybersecurity attacks, significant progress has been made to protect WFP against such attacks. The AC welcomes the appointment of leading industry experts to advise WFP on its defenses.

Treasury and investment oversight

36. The AC received information on the performance of the WFP investment management. The activities within the investment management were reported to be compliant with the WFP policies and risk tolerance. The AC noted that, in certain countries, WFP was placing funds with unrated banks particularly for CBT operations but recognizes that this is done only in instances where there is no alternative rated supplier.

Financial statements

37. The draft annual financial statements were presented to the AC. Management and the External Auditor assured the AC that the financial statements had been prepared in accordance with International Public Sector Accounting Standards (IPSAS).
38. The AC commends management's success on the substantial increase in funding to USD 8.3 billion (2018: USD 7.4 billion).
39. Total expenses increased to USD 7.6 billion (2018: USD 6.6 billion) with CBTs increasing 21 percent to USD 2.1 billion and food distribution by 10 percent to USD 2.3 billion. The CBT modality is thus almost reaching the same level as food assistance.
40. The higher spending in 2019 resulted in a 10 percent decrease in the surplus. Over 50 percent of the surplus of USD 658 million was recorded due to unspent funds in Ethiopia, Yemen, and Zimbabwe. This should be adequately explained to donors so that they have comfort that WFP has the ability to deliver to the extent of funds accepted.
41. Total assets increased by USD 1,260 million primarily due to the growth in contribution receivables. Total liabilities increased by USD 696 million mainly due to increased deferred revenue and the increase in total employee benefit liabilities of USD 287 million (37 percent). The latter is a result of changes in actuarial assumptions, in particular, utilizing

a lower discount rate (increasing the liability by USD 220 million) and other experience adjustments.

42. No material misstatements were reported by the External Auditor to the AC. The External Auditor will issue an unqualified opinion.

External audit

43. This is the fourth year of WFP's six-year contract with the Cour des comptes or the Auditor General of France for the external audit of WFP. The External Auditor audited WFP's audited annual accounts for the year ended 31 December 2019 and conducted performance audits on WFP's real estate portfolio and air transport services. Several recommendations were formulated around effectiveness and efficiency, none of which affect the overall effectiveness, efficiency and economy of WFP's operations.
44. With regard to prevention and detection of fraud, WFP needs to raise the fraud awareness among its internal and external stakeholders (staff members, consultants, suppliers, cooperating partners). The results of the performance audits in 2018 recommended providing more training, especially in the field and strengthening internal controls. This process still requires strengthening.

Values and ethics

45. The number of formal OIG investigations worked on during the year increased by 74 percent from 100 in 2018 to 174 in 2019. In addition informal cases with ethics advisory inquiries and ombudsman inquiries increased by 40 percent and 18 percent respectively. On one hand, the increase can be viewed positively as result of increased awareness. On the other hand, the increase can be attributed to root causes including weak organization culture, gaps in understanding of policies and potential weaknesses in internal controls.
46. In 2019, the Executive Board and the WFP management joint working group (JWG) on HSHAAD regained momentum. The JWG commissioned an external review of workplace culture and ethical climate at WFP. Based on the data from the external review combined with data from the 2018 global staff survey (GSS), the JWG provided recommendations in six core areas.²
47. A Senior Advisor to the Executive Director on workplace culture was appointed to serve as the Global Leader to develop a comprehensive action plan.
48. The AC emphasized that cultural change is a long journey and it is important to demonstrate small but visible changes along the journey. With the wealth of data collected from the external review and the GSS, the AC is concerned that data analysis and policy definitions might result in a scenario of perfection getting in the way of progress.
49. The AC welcomed the increased activities led by the Senior Advisor on Workplace Culture, the JWG, the Ethics Office (ETO) and Human Resources (HR), but identified a need to develop a simple and cohesive road map which strikes a balance between a sense of urgency and clear objectives. It is acceptable to adjust the project objectives, milestones and measurable targets along the way. The priority is to increase employee confidence by demonstrating examples of changes, no matter how small.
50. Successful organization culture needs to ensure the set of beliefs are supported by strategy and structure. Strong culture means employees know how top management want them to respond to any situation, employees believe that the expected response is the proper one and employees know that they will be rewarded for demonstrating the organization's values.

² [WFP/EB.2/2019/9-A](#).

The Executive Director has set the tone at the top regarding workplace culture through many organization wide messages. Now senior management must ensure that the strategy and structure of the programme developed by the Senior Advisor on Workplace Culture is in alignment with the tone set set by the Executive Director. Effective communication is key.

51. The increase in the number of formal and informal cases results in an increase in workload of various departments namely Ethics, Ombudsman, OIGI, Legal and HR. Resource constraints were cited by multiple divisions. Even if more resources can be allocated, such a reactive approach from oversight will be expensive and non-sustainable. As WFP's working environment continues to evolve, the AC recommends that a more effective use of resources will be to invest in driving continuous improvement in the three lines of defense including the workplace culture, ways of working, processes and controls.
52. HR continues to roll out Speak up! which is face-to-face training to raise awareness. The AC is pleased that the training sessions have reached 5,300 employees to date.
53. The ETO's training on ethics matters reached 450 employees directly and over 5,000 employees indirectly through collaboration with HR. The AC encourages management to continue such collaboration as an effective way to leverage resources. The ETO also rolled out mandatory ethics training through three modules of online training with each module achieving over 90 percent coverage.
54. The ETO was appointed WFP's organization focal point for protection against sexual exploitation and abuse (PSEA) and will represent WFP for a joint inter-agency workshop on PSEA. The ETO conducted online training for PSEA with close to 90 percent coverage of WFP staff.
55. In addition to the existing complaints feedback mechanisms, the new hotline run by NAVEX Global will enhance the intake of allegations of misconduct with a multilingual, multi-channel platform. This will also further increase maturity of the OIGI processes.
56. The inter-divisional Standing Committee (IDSC) continues to improve their collaboration including formal agenda and note-taking. The routine reporting to the AC on the internal justice process has matured, allowing the AC to shift the dialogue from mechanics of the report to understanding and interpreting the information.
57. Although the ETO is an independent office, the AC recommends that management establish clear accountability for sign-off of the strategy, annual plan and priorities in a timely manner. This change will help the ETO to adapt objectives to resource constraints and to anchor it firmly into the organization culture. As of Q2, many of the 2020 targets for ETO have yet to be established. The AC was pleased to see the change of the ETO from being overwhelmed by workload to a prioritized approach based on resources.
58. The AC recommends a revisit of WFP's risk appetite in relation to taking disciplinary action against misconduct. The current approach is cautious to avoid taking disciplinary actions that could be overturned on appeal. This should be balanced against the perception that acts of misconduct are treated lightly.

Additional perspectives and insights

59. With the dramatic increase in humanitarian assistance expected as a result of COVID-19, management will be stretched to ensure that higher levels of funding are secured. The internal capacity in terms of resourcing, information technology, risk management and internal controls must be enhanced to cope with the surge in activity over the foreseeable future.

60. In this context, workforce planning, an area which the AC has repeatedly emphasized over the past four years, requires special and focussed attention. In this regard the next iteration of the WFP People Strategy to be approved by the Executive Board in February 2021 should take into account the findings of the Summary Report on the Evaluation of the WFP People Strategy (2014–2017) and the Summary Report on the Strategic Evaluation of WFP's Capacity to Respond to Emergencies (2011–2018).
61. The AC advises that three of the five AC members (including the Chair) rotate in November 2021. This is a significant roll-off and the AC suggests that the Board address this so that there is adequate continuity and succession planning to ensure that there is an effective AC post November 2021. The first three-year term of Ms Agnieszka Slomka-Golebiowska expires on 29 July 2020. The AC looks forward to the renewal of her term for a second and final three-year period.

ANNEX I**Rules of Procedure for the Audit Committee
of the World Food Programme**

Authority: Article 27 of the Terms of Reference (TOR) for the Audit Committee (AC) of the World Food Programme as approved by the Executive Board on 15 November 2011 and updated in June 2017.

- 27) Subject to these TOR, the AC shall establish its own rules of procedure to assist its members in executing their responsibilities. The AC rules of procedure shall be communicated to the Executive Board and the Executive Director for their information.

Procedure 1: Development, Review and Consultation of Rules of Procedure

- 1.1 The AC shall determine the necessity of rules of procedure, draft such procedure, and provide them for consultation to the Executive Board and Executive Director.
- 1.2 The Rules of Procedure shall be kept to the minimum level necessary.
- 1.3 Consultations shall consider inquiries regarding alignment of the procedure with the TOR as well as how the procedure furthers – in an efficient and effective manner – the mission of WFP and role of the AC to enhance the Governance, Risk, Control, and Compliance processes of WFP. As noted in the TOR, this includes “ensuring the effectiveness of WFP’s internal control systems, risk management, audit and oversight functions, and governance processes”. Except for extraordinary circumstances, the consultation period shall be a minimum of one month.
- 1.4 After the consultation period, the AC may officially adopt the procedure – with any appropriate modification – at the next regularly scheduled meeting.
- 1.5 Annually, the AC Secretariat shall place on the AC agenda a review of all rules of procedure – in addition to the TOR – to ensure they continue to be relevant and aligned to the needs of WFP and the AC.

Procedure 2: Appointment of the Chairperson

- 2.1 In order to ensure the independence of the AC, the Committee endeavours to have continuous leadership that can organize and speak for the Committee. The Committee members realize that – in the absence of a Chairperson – the Committee’s independence and ability to operate is impaired.
- 2.2 Selection of the Chairperson shall be in accordance with Article 23 of the TOR.
- 2.3 If there is an absence in the role of Chairperson between meetings due to resignation or expiration of the member’s term, an Acting Chairperson shall be designated by the remaining members of the Committee and shall act in the capacity of the Chairperson until such time as the Committee is convened and selects a new Chairperson.
- 2.4 If the Chairperson is not available for requested meetings with management, Executive Board Bureau, or other official events, the Chairperson shall in consultation with the members designate another member of the committee to represent the Committee in the same manner and capacity as the Chairperson.

Procedure 3: Observations of WFP Operations

- 3.1 The AC firmly believes the ability of the Committee members to optimize their role requires observation of WFP operations outside of formal AC meetings in accordance with the authority in the TOR article 4.
- 4) The AC shall have all the necessary authority to fulfil its responsibilities including access to WFP information, records, facilities and staff.
- 3.2 The purpose of observations shall be to further the comments and conclusions for the AC regarding the governance, risk, control, and compliance processes of the WFP.
- 3.3 The manner of observations may include site visits to WFP regional or country offices, site visits to partner offices or operations, inclusion in WFP staff meetings, attendance at consultation sessions, shadowing of internal audit staff during assignments or other events or activities which further the purpose of observations.
- 3.4 Considerations in determining the appropriateness of observations shall include but not be limited to:
- impact on WFP operations including but not limited to the ability to support Committee members in the field or in meeting locations, the impact Committee members may have on normal open dialogue among staff and ability to coordinate logistics and transportation;
 - safety and security of Committee members;
 - health care needs, restrictions and inoculations;
 - language requirements;
 - identification of and consultation with the WFP or partner leader who will host the observation;
 - overall cost of the observation effort including transportation, subsistence and support costs;
 - geographic and operational representation of the site to be visited to overall WFP operations;
 - new programmes and initiatives of WFP;
 - specific focus areas of interest by the AC members such as technology systems, human resources, procurement, logistics, partner operations, etc.;
 - recent or current audits, evaluations, or other oversight activities of the office or programme;
 - expected insights that will inform the AC's recommendations and annual report; and
 - number and timing of observation missions in a given calendar year.
- 3.5 Observations shall require approval of the Executive Director, designee of the Executive Director or Executive Board Bureau.
- 3.6 Identification and scheduling of observations shall involve consultations with the Executive Director and his/her designee.

- 3.7 The AC Secretariat shall ensure that subsequent to any observation missions, that the AC agenda includes a discussion of the observation. The Committee shall discuss insights identified during the observation as well as lessons learned about the efficacy and efficiency of the observation mission. Such insights shall be used to:
- further additional agenda items of the AC as well as recommendations and the Annual Report of the AC; and
 - inform the nature, timing, efficiency and effectiveness for any future observations.
- 3.8 The AC shall note the highlights of all observations in its annual report to the Executive Board.

Procedure 4: Declaration of Independence and Statement of Financial Interests

- 4.1 The AC Secretariat shall ensure that annually all members of the AC are asked to acknowledge in writing their independence, statement of financial interests, and confidentiality requirements per the following TOR articles:
- 14) Since the role of the AC is to provide objective advice, members shall remain independent of the WFP Secretariat and the Executive Board and shall be free of any real or perceived conflict of interest.
- 17) Members of the AC shall sign and submit to the President of the Executive Board an annual declaration of independence and statement of financial interests, following a process that the AC shall establish under its Rules of Procedure.
- 31) All confidential documents and information submitted to or obtained by the AC shall remain confidential unless otherwise determined. Members of the AC shall acknowledge this obligation in writing at the time of their appointment.
- 4.2 The manner and form of the acknowledgement shall be via Appendix A of the AC Rules of Procedure which shall be collected by the AC Secretariat and submitted to the President of the Executive Board with a copy to the Assistant Executive Director for Partnership, Governance and Advocacy.

Procedure 5: Approval of Minutes

- 5.1 The TOR of the Audit Committee specify that only in exceptional circumstances shall the AC meet in a manner other than in person. (See paragraph 26).
- 5.2 In order to expedite the distribution of the official minutes of the Audit Committee prior to the next scheduled meeting of the Audit Committee, there needs to be mechanisms to officially approve the minutes outside of in-person meetings. Otherwise, official adoption of the minutes can only occur only at the next scheduled meeting.
- 5.3 Accordingly, under authority of the TOR paragraph 26 allowing the AC to meet in other venues upon approval of the President of the Executive Board and the Executive Director and paragraph 27 allowing the AC to set its own Rules of Procedure, the AC may ask the Executive Board Secretariat to circulate final minutes for approval via email to AC members and request and receive a formal vote of approval from AC members via email. In accordance with the TOR paragraph 28, minutes shall be deemed approved upon affirmative vote of a majority of members that participated in the respective AC meeting for which the minutes are documenting.

Procedure 6: Audit Committee Work Plan

- 6.1 In accordance with the wishes of the Executive Board Bureau, the AC shall maintain with the help of the Executive Board Secretariat an AC work plan.
- 6.2 The work plan shall consider three complementary documents:
- An AC work plan aligned to the TOR and interests of the AC aligned to their obligations under the TOR.
 - An action items list maintained as an appendix to the minutes of the AC.
 - The annual AC Report to the Executive Board.
- 6.3 The AC work plan will take input from stakeholders, develop effective meeting agendas, and provide input to the overall Executive Board under the following framework:

Audit Committee Work Plan

<u>Stakeholder inputs</u>	<u>What to address</u>	<u>How to address</u>	<u>How documented</u>	<u>Results</u>
<ul style="list-style-type: none"> - TOR review - Board input - Executive Director input - AC member input - AC self-evaluation - WFP Board AC presentation 	<ul style="list-style-type: none"> Work Plan and calendar - Questions - Topics to pursue - Minutes action items 	<ul style="list-style-type: none"> AC meetings - Agenda topics - Bureau discussions - Executive Director discussions Observation visits Document review Inspector General and Oversight Office (OIG)/management telephone calls 	<ul style="list-style-type: none"> AC meeting minutes AC meeting minutes action items 	<ul style="list-style-type: none"> AC Annual Report to the Board

Procedure 7: Oversight of the Office of the Inspector General

- 7.1 In accordance with its Terms of Reference, the AC shall advise on the performance of the internal audit function and the Inspector General. The AC shall endeavour to understand the overall culture and work environment of OIG to the appropriate extent for a non-management Board or oversight entity. The following will be undertaken to assist in these efforts.
- 7.2 The AC shall hold periodic private and individual meetings with the Inspector General and her/his deputies for the Office of Internal Audit and the Office of Investigations. The AC shall also encourage OIG leadership to allow OIG managers and engagement leaders to present their work directly to the AC when appropriate.
- 7.3 To the extent that WFP conducts employee engagement surveys or other assessments of organizational culture, results related to the OIG shall be presented to the AC along with information on the context for these results.
- 7.4 The AC shall be provided with the results of OIG client assessment surveys completed at the end of engagements. If OIG is not performing such surveys, it shall inform the AC as to why.
- 7.5 The AC shall make periodic enquiries of management regarding the performance of the Inspector General and any concerns regarding her/his personal performance or that of the Inspector General function overall. Management shall proactively advise the AC of any concerns.

**Appendix A to Rules of Procedure for the Audit Committee
of the World Food Programme**

Declaration of Independence and Statement of Financial Interests

Article 17 of the Audit Committee (AC) Terms of Reference (TOR): Members of the AC shall sign and submit to the President of the Executive Board an annual declaration of independence and statement of financial interests, following a process that the AC shall establish under its Rules of Procedure.

I, _____, a member of the AC of the World Food Programme do affirm to the best of my knowledge the following:

- I do not hold positions with companies that maintain a business relationship with WFP.
- I have not and shall not engage in activities that might impair, or appear to impair, my independence in carrying out my duties as a member of the AC.
- I do not have financial interests which may impair, or appear to impair, my independence in carrying out my duties as a member of the AC.
- I continue to acknowledge my responsibility to maintain to the best of my ability the confidentiality of documents provided to me in the course of my work on the AC.
- I serve in my personal capacity and do not seek or accept instructions for my work on the AC from any governance or other authority internal or external to WFP.

(Additional Information I Wish to Acknowledge – Optional)

Signature: _____

Date: _____

ANNEX II**Composition of Audit Committee**

- Mr. Suresh Kana: a South African national. His term is from 15 November 2015 to 14 November 2018 and has been extended to 14 November 2021.
- Ms Elaine June Cheung (ZHANG Qiling): a Chinese national. Her term is from 15 November 2015 to 14 November 2018 and has been extended to 14 November 2021.
- Mr Omkar Goswami: an Indian national. His term is from 15 November 2015 to 14 November 2018 and has been extended to 14 November 2021.
- Ms Agnieszka Slomka-Golebiowska: a Polish national. Her term is from 30 July 2017 to 29 July 2020.
- Mr. Robert Samels: a Canadian national. His term is from 01 March 2019 to 28 February 2022.

ANNEX III

AUDIT COMMITTEE ACTIVITIES APRIL 2019 – MARCH 2020			
	JULY 2019	DECEMBER 2019	MARCH 2020
Executive Session with Executive Board Bureau	√	√	√
Executive Session with Executive Director	√		
Executive Session with Deputy Executive Director	√	√	√
Executive Session with Inspector General	√	√	√
Operations	√	√	√
Evaluation matters	√	√	
Oversight matters:			
– External audit	√	√	√
– Internal audit	√	√	√
Financial statements	√	√	√
Accounting	√	√	√
Performance and risk management	√	√	√
Human resource matters	√	√	√
Internal control	√	√	√
Ethics matters	√	√	√
Legal matters			√
Allegations of inappropriate activity	√	√	√
Financial and budgetary matters	√	√	√

Acronyms

AC	Audit Committee
AFAC	anti-fraud and anti-corruption
CBT	cash-based transfer
ERM	enterprise risk management
ETO	Ethics Office
HR	Human Resources
HSHAAD	harassment, sexual harassment, abuse of authority and discrimination
IT	information technology
JWG	joint working group
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PSEA	protection against sexual exploitation and abuse
TOR	terms of reference
WFP	World Food Programme