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Programa Mundial de Alimentos
برنامج الأغذية العالمي

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For consideration

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

Annual report of the Independent Oversight Advisory Committee

Draft decision*

The Board takes note of the annual report of the Independent Oversight Advisory Committee (WFP/EB.A/2023/6-C/1).

To the Executive Board

The WFP Independent Oversight Advisory Committee is pleased to submit its annual report to the Executive Board for consideration, as required under the WFP Independent Oversight Advisory 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 2018 and 2021 second regular sessions.

The report is intended as a summary of the principal activities and opinions of the Independent Oversight Advisory Committee from 1 April 2022 to 31 March 2023. The latter date coincides with finalization of the annual financial statements – an important focus of the committee. More detailed information on the committee's activities can be found in the Independent Oversight Advisory Committee's meeting minutes and summaries of discussions with the WFP Executive Board Bureau.

The observations provided by the Independent Oversight Advisory Committee are based on representations from management, WFP's oversight functions and the External Auditor. The committee stands ready to discuss the report or any other aspect of its work with the Board.

Robert Samels
Chairperson
April 2023

* 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 "[Revised title and terms of reference of the Audit Committee](#)" (WFP/EB.2/2021/9-A).

Introduction

1. During the reporting period, record numbers of people faced acute food insecurity around the world, the result of conflict, climate change and rampant food, fuel and fertilizer price inflation. WFP continued to scale up operations in response, targeting 160 million people in 2022. A global corporate scale-up was announced in June 2022 and extended in December 2022 to address what amounts to the worst global food crisis in modern history.
2. In the face of unprecedented needs, WFP revenue grew to USD 14.4 billion in 2022. Despite the immense pressures on the organization, the Independent Oversight Advisory Committee (IOAC) was pleased to note progress made in areas such as risk management, cybersecurity, internal audit, the management of cooperating partners and investigations. In line with its terms of reference, the committee provided advice and guidance on a wide range of issues, in particular encouraging WFP to continue to work on coordination between its various oversight functions, the implementation of evaluation recommendations and misconduct prevention, particularly for cooperating partners. The IOAC also examined the Executive Director's assurance statement, considering the usefulness of the exercise and the potential for reducing the burden of risk identification on country offices.
3. While there are clear areas of opportunity for improvement, no material weaknesses were identified in the governance, risk management or control processes in 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 2022 were brought to the IOAC's attention.
4. During the reporting period, the committee engaged in deep dive sessions on information technology (IT) security, beneficiary identity management and cash-based transfers (CBTs) and gained insight into operational challenges through detailed discussions with the regional directors for Latin America and the Caribbean and Eastern Africa, in addition to exchanges with the country directors for Kenya and Somalia.
5. The 160th meeting of the IOAC was held at the Regional Bureau for Eastern Africa in Nairobi, Kenya, which afforded committee members a much-appreciated opportunity to visit a range of WFP operations and interact with representatives of the Government of Kenya and the United Nations Resident Coordinator.

Summary of activities and observations

6. The IOAC met virtually and in-person four times during the reporting period – in July 2022, October 2022, November 2022 and March 2023. Between formal meetings, telephone conferences were held by IOAC members or by the IOAC Chair with the Inspector General, WFP management, the External Auditor and the Executive Board Secretary. The Executive Director or the Chief of Staff met with the IOAC at all of its meetings. The IOAC continued with the practice of holding executive sessions with the Deputy Executive Director and the Inspector General at each of its meetings; the committee also met with the Director of Internal Audit and the Director of Inspections and Investigations in the Office of the Inspector General and with the Director of Evaluation.
7. At the end of each formal session, the IOAC met with the Executive Board Bureau, who provided the consolidated views and priorities of WFP's Member States. This interaction remains the IOAC's primary means of advising the Board on the status of WFP's governance, ethics, evaluation, risk and control efforts.
8. The observations and guidance provided by the IOAC during the reporting period are summarized below.

Finance

9. The annual financial statements for 2022 were presented to the IOAC. The statements were prepared in accordance with International Public Sector Accounting Standards. The committee took note of a change in accounting policy over revenue recognition related to multi-year donor agreements, which had been applied retroactively to the 2021 financial statements.
10. In December 2022, USD 2.5 billion of revenue was confirmed, which caused a timing gap in revenue and expense recognition. This difference resulted in a large surplus on the financial statements, but the funding was attributable to specific countries and will be used in 2023.

Resourcing

11. The IOAC considered management plans to address funding shortfalls in light of growing humanitarian needs. In a presentation to the IOAC, management highlighted challenges linked to meeting increasingly onerous donor conditions attached to contributions and its plans to develop a structured approach to the negotiation, implementation and monitoring of donor contracts. The IOAC suggested that any new approach to donor contracts should reflect the diversity of donor conditions and related reporting and data issues, and the approaches followed by non-United Nations actors. WFP should also inform donors of the estimated additional costs to WFP that their conditions incur and seek to recover those costs.

Internal audit, investigation and inspection

12. The IOAC received updates from the Office of the Inspector General (OIG) on its workplans, caseloads, budget, staffing and the implementation of outstanding recommendations.
13. Among observations made to the Office of Internal Audit (OIGA) during the reporting period, the IOAC advocated sharing in-depth analyses with the committee before disseminating them to the Executive Board to ensure that they included management's comments as well as input from the committee, for example on the root causes of recurrent internal audit observations. The committee also recommended introducing greater flexibility into OIGA planning procedures by mapping out priorities in advance and being prepared to adjust plans if necessary; this would allow OIGA to plan further in advance and would facilitate joint planning by the oversight functions. On proposals to revert the audit scope to pre-COVID-19 levels, the IOAC recommended a cautious approach, with consideration of whether the five controls currently used need to be supplemented or modified.
14. In order to obtain a more nuanced understanding of the magnitude of losses to WFP resulting from fraud and corruption, the IOAC requested that the Office of Inspections and Investigations (OIGI) provide more detailed reporting on the types and sizes of losses sustained. The committee also remarked on the potential for strengthening measures to minimize reputational risk to WFP; this could be done by flagging all reports of misconduct that could have reputational impact including cases that might subsequently be dropped for administrative reasons. Training cooperating partners on preventing and addressing cases of misconduct is also important in this regard.
15. The IOAC requested OIGI to involve the committee in an upcoming external review of the investigations function, including when defining the scope of such exercises. The committee also supported the allocation of an additional senior resource to the Regional Bureau for Eastern Africa to expand regional investigation capacity.
16. It is necessary for the IOAC to reiterate some concerns raised by OIG. While OIG has opined that no material weaknesses were identified in governance, risk management or control processes that would seriously compromise the overall achievement of the organization's

strategic objectives, it is important to place on record the various weaknesses and deficiencies that OIG has observed across different geographies and activities. High-risk and medium-risk OIGA audit observations continue to cluster in the areas of cash transfers, beneficiary management, cooperating partners (government and non-governmental) and supply chain. These issues are similar to those highlighted in audits of previous years and are well explained in the Inspector General's assurance opinion and OIG's annual report for 2022. While progress has been made in addressing some of the long-outstanding unimplemented control recommendations, the IOAC strongly urges the Executive Director and WFP's senior management to continue their focus on this area.

External audit

17. During the reporting period, the IOAC held four meetings with the *Bundesrechnungshof* of Germany, appointed as WFP External Auditor for the term 1 July 2022 to 30 June 2028. The committee considered the External Auditor's workplan and provided feedback on the themes and timing of performance audits. The IOAC suggested that the External Auditor could consider using the work of OIGA and the Office of Evaluation (OEV) to inform the planning and implementation of external audits in order to minimize the burden of oversight activities on country offices and improve coordination between the oversight functions.
18. The External Auditor audited the WFP financial statements for the year ended 31 December 2022 and issued an unmodified opinion. The IOAC will review the results of the performance audits and the audit recommendations at its July 2023 meeting; however, the External Auditor has confirmed that there are no material issues that would impact the financial statements.

Evaluation

19. The IOAC examined the workplan of the evaluation function, the corporate evaluation strategy and the evaluation policy. Over the reporting period, the committee also worked on its newly revised terms of reference with regard to the evaluation function, determining how this aspect of its mandate would be carried out; this work was informed by exchanges with OEV and the Executive Board Bureau.
20. In order to fulfil its mandate with respect to the evaluation function, the IOAC has requested that OEV provide regular reporting on its progress toward the key performance indicators set out in the corporate evaluation strategy; information on the cost-effectiveness of the evaluation function; evidence of effective coordination with other oversight functions; and evidence of the use of evaluation insights.
21. In its consideration of the tools and working methods of the function, the IOAC made a number of suggestions. These included structuring the rolling three-year evaluation workplan to ensure that all areas critical to WFP are covered; drawing up the evaluation budget based on activities that deliver maximum benefit to WFP rather than on full compliance with evaluation coverage norms; and reviewing the approach to decentralized evaluations whereby each evaluation is independently assessed.
22. In March 2023, the committee examined an analysis of recurring recommendations and an overview of implementation rates for evaluation recommendations; noting relatively low implementation rates, the IOAC suggested that senior leadership could follow up on this issue to improve implementation as had been done successfully for the implementation of audit recommendations. Other advice related to the implementation of recommendations was provided at the November session and included increased support from OEV to country offices and regional bureaux for implementation and a simplification of the way in which recommendations were formulated.

23. The IOAC is pleased at improvements in communication over the reporting period. Going forward, and recognizing the quality of evaluation evidence produced, the committee encourages OEV in conjunction with management to explore ways of accelerating the uptake of lessons learned and will continue to work with the office on measures and key performance indicators to capture the impact of its work on the organization. However, additional emphasis needs to be placed on tracking evaluation recommendations and implementation status.

Coordination of the oversight functions

24. Following up on a recommendation from the Joint Inspection Unit in its most recent report on Audit and Oversight Committees, the IOAC has emphasized the value of coordination between the oversight functions in order to minimize the burden of oversight work on country offices and achieve synergy between the respective roles and responsibilities of the various oversight functions. Accordingly, during the reporting period the IOAC held in-depth discussions with all related functions to understand existing coordination mechanisms and highlight scope for more effective coordination.
25. The committee noted the importance of dynamic planning and complementarity, with consideration of which functions are best placed to assess which topics or risk areas, and encouraged the functions to clearly define their roles and responsibilities. The committee advised the introduction of a formal mechanism for convening joint meetings, particularly to compare workplans, noting a role for management in facilitating these discussions. The IOAC also suggested that a case study on a concrete topic could provide useful insight into how best to engage in joint planning and coordination and help identify challenges and benefits.
26. At its March meeting, the committee was pleased to see the initiation of improved coordination between OEV and OIG. Further effort needs to be made in this area. The result of this effort should be evident in the 2024 workplans currently being prepared for both functions.

Accountability

27. The IOAC took note of continued progress by WFP in the area of risk management, particularly with regard to the implementation of recommendations from the Baldwin Global review. The committee received updates on the development and implementation of the risk and recommendation tracking system, the Corporate Risk Register, the rollout of the revised anti-fraud and anti-corruption policy and the implementation of outstanding recommendations.
28. During the reporting period, the IOAC advised WFP to strengthen country office risk management processes by facilitating direct contact between country office risk officers and the risk management function at headquarters. Other suggestions in this area included giving regional bureaux a greater role in risk management at the country office level, deploying regional risk officers as needed to improve the management of risks identified through audits, and ensuring that country office risk registers were useful tools for the country offices themselves.
29. The IOAC also made observations in relation to the Corporate Risk Register, including a review and streamlining of items to focus on issues of highest priority and address any gaps. The committee also encouraged the Risk Management Division to continue working with the Ethics Office on the development and delivery of training and awareness raising materials including for cooperating partners.

30. By March 2023, the number of outstanding internal audit recommendations was comparable to 2022 figures. However, the committee noted the increase in investigation activity and continuing challenges related to cooperating partners. Two areas of concern are trends in investigations related to fraud and corruption and sexual exploitation and abuse. Management is well aware of these challenges, but additional emphasis must be made to increase the visibility of the accountability framework of the organization and build cooperating partner capacity.

Programming

31. During its discussions with WFP management and in deep dive sessions with the Cash-based Transfers Division and the Technology Division, the IOAC made a number of suggestions related to programming.

Cash-based transfers

32. The IOAC welcomes the new CBT policy and notes that investment in infrastructure such as systems for beneficiary management and cash transfer management will be key to a successful implementation of the new policy.
33. During the year, the IOAC also encouraged management to facilitate knowledge sharing on CBT between country offices and review the results of the cash assurance monitoring exercise against internal audit findings on cash transfers in order to enhance WFP's understanding of risk in this area.

Beneficiary identity management

34. The IOAC received an overview of the new people-centred approach to identity management that WFP is adopting, which seeks to improve beneficiary access to services provided by WFP and other actors, including government agencies. The committee advised WFP to ensure that the necessary controls are in place for beneficiary identity management systems, including WFP's digital beneficiary information and transfer management platform, and remarked on the difficulty of developing universal systems that meet the requirements of other actors, which could be different from those of WFP. The committee welcomes the development of corporate solutions, which will help minimize the need for country offices to develop their own supplementary systems.

Information technology

35. WFP management presented the "zero trust" approach to IT security adopted by WFP and the status of work under way to implement it consistently across the organization. The IOAC also received an update on WFP's use of cloud computing and the cybersecurity of country offices including with regard to data storage and data protection measures. The committee commends WFP for its work in the area of IT security and looks forward to receiving further insight into the costs and implementation of the "zero trust" approach as well as remaining IT risks.

Country office support model optimization and simplification (COSMOS) project

36. The IOAC received an overview of the COSMOS project, a corporate initiative that aims to increase the efficiency and effectiveness of global operational support provided to country offices. The committee welcomed management efforts to clarify accountabilities related to the provision of support for country offices and their intention to bring greater standardization and coherence to the approaches used by regional bureaux in this regard. The IOAC remarked on the importance of leadership endorsement for the initiative, the clear identification of business cases for the project and effective communication and project management to ensure a smooth adoption of the new approach at the regional level.

37. The committee looks forward to receiving updates on the progress of the pilot project now under way at the Regional Bureau for the Middle East, Northern Africa and Eastern Europe.

Ethics

38. The IOAC met with the Director of Ethics *ad interim* at its November session to review the Ethics Office risk map and other recent activities. The IOAC encouraged continued cooperation between the office and WFP functions and engagement with cooperating partners and host governments through outreach and training initiatives. The committee suggested that the office develop proactive work aimed at preventing unethical behaviour, including through dialogue with leadership, and define deliverables and outcomes in order to measure WFP's achievements in preventing and mitigating unethical behaviour in each high-risk country.
39. The IOAC understands that the Director of Ethics position should be filled shortly and the committee looks forward to working with the new director.

Workforce planning

40. The IOAC received regular updates on the status of strategic workforce planning at WFP and plans for integrating annual reviews of workforce planning at the global, function and country office levels into other processes such as budget planning. Recognizing progress made in the area of workforce planning, the committee advised WFP to clarify which managers were accountable for workforce planning in each function or office. The workforce planning process should be flexible enough to allow WFP to adapt to rapidly changing situations, including changes in projected revenue, and the management oversight role of regional bureaux and the development of soft skills should be included in workforce development plans. The IOAC also encouraged WFP to address gaps in management oversight resources and capacities within country offices and to share knowledge by building on successful experiences in country offices, regional bureaux and headquarters.
41. The IOAC recognizes that strategic workforce planning exercises have been well received by the offices and functions that have completed the process. However, the committee notes that the activities have been rolled out on a voluntary basis in a limited number of country offices and results from these exercises have not been looped back to the review of corporate-wide human resources policies and rules. Strategic workforce planning would significantly benefit from senior management oversight to determine whether the initiative is corporate-wide. It is also crucial that a skills gap analysis be conducted at the macro level to ensure effective planning of WFP human resources, especially in areas of expertise that are difficult to recruit.

Internal justice

42. The IOAC examined ongoing efforts to strengthen WFP's internal justice system, focusing on concerns such as the length of time taken to finalize disciplinary action following a substantiated report of misconduct; the potential impact of increased donor reporting on misconduct on staff willingness to come forward with concerns; and WFP's ability to identify repeated reports of abusive conduct when individuals moved between posts.

IOAC visit to the Regional Bureau for Eastern Africa

43. The IOAC held its 160th meeting at the Regional Bureau for Eastern Africa in Kenya between 3 and 7 October 2022. The committee met with WFP staff, representatives of the Government of Kenya, WFP beneficiaries and the United Nations Resident Coordinator, in addition to visiting WFP operations in the field. The IOAC highly appreciated the opportunity to see first-hand WFP activities and gain insight into the severity of the food security challenges facing the region. Highlights of the trip included the following:
- School feeding: following a visit to school feeding operations, IOAC concluded that the system for delivering school meals was well organized; the committee was touched by the aspirations of the students they met at the school.
 - Beneficiary targeting and registration: the IOAC visited Dadaab refugee camp, where they saw the registration system in action. The system appeared to be functioning very well; the committee was particularly impressed by the role of local communities, who took ownership of the targeting process to good effect.
 - Partner coordination: coordination between agencies exceeded IOAC expectations; in particular, the IOAC noted excellent work carried out by the International Red Cross in Kenya and encouraging collaboration with Arid Land Development Focus. The value of joint programming as well as joint implementation was highlighted.
 - Healthcare: the IOAC found healthcare facilities to be well stocked and effectively run; staff were serious, dedicated and proud of their work.
 - Water purification: the IOAC visited a water purification project in the Kibera settlements: the committee was impressed by the impact of the project and encouraged by the fact that it was led and run by former Kibera residents.
 - CBT: in conversations with beneficiaries, IOAC noted a clear preference for CBT over in-kind assistance; the former conferred greater dignity, privacy and flexibility to beneficiaries.
44. In its conversations with regional management, the committee underscored the importance of minimizing the burden of risk management activities on country offices, seeing a role for country office risk management committees in streamlining processes. The IOAC pointed to the value of producing more concise risk registers based on better prioritization of high-level risks.
45. The committee also observed that risk management frameworks should be appropriate to each level (county, country, regional bureau and senior management) and that WFP could adopt a better loop-back mechanism in response to adverse events to see whether the associated risks had been identified in risk registers and mitigated. Other advice given during the field visit related to improving the risk assessment and assurance procedures used for government cooperating partners and the adoption of a more measured approach to fraud risk to ensure a proportionate response.

ANNEX I

Terms of reference of the IOAC

The IOAC's terms of reference were adopted by the Board at its 2011 second regular session and were subject to revision in 2017, 2018 and 2021. The [IOAC web page](#) provides access to the [full terms of reference](#) and the [IOAC Rules of Procedure](#).

For the year ending 31 December 2022, the IOAC's responsibilities included advising the Board and the Executive Director on:

- internal audit;
- risk management and internal controls;
- financial statements;
- accounting;
- external audit;
- values and ethics;
- evaluations; and
- allegations of inappropriate activity.

Composition of the IOAC

The composition of the IOAC reflects gender and regional balance as determined by the Board. The members of the committee from April 2022 to March 2023 and their attendance at formal IOAC meetings is detailed below.

IOAC membership and schedule of attendance for 2022/2023

Meetings held in 2022/2023					
Member	July 2022	October 2022	November 2022	March 2023	Term
Mr Suresh Kana (South Africa) Chairperson until 14 November 2022	Present	Present	--	--	From 15 November 2015 to 14 November 2018; subsequently extended to 14 November 2021. As approved by the Executive Board at its 2021 first regular session, his term was exceptionally extended for an additional year to 14 November 2022.
Mr Robert Samels (Canada) Chairperson from 15 November 2022	Present	Present	Present	Present	From 1 March 2019 to 28 February 2022; subsequently extended to 28 February 2025.
Ms Agnieszka Słomka-Golebiowska (Poland)	Present	Present	Present	Present	From 30 July 2017 to 29 July 2020; subsequently extended to 29 July 2023.
Mr Veerathai Santiprabhob (Thailand)	Present	Present	Present	Present	From 15 November 2021 to 14 November 2024.
Mr Darshak Shah (Kenya)	Present	Present	Present	Present	From 15 November 2021 to 14 November 2024.
Ms Bettina Tucci Bartsiotas (Uruguay)	--	--	Present	Present	From 15 November 2022 to 14 November 2025.

Acronyms

CBT	cash-based transfer
COSMOS	country office support model optimization and simplification
IOAC	Independent Oversight Advisory Committee
IT	information technology
OEV	Office of Evaluation
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations