UPDATE ON THE ANTI-FRAUD AND ANTI-CORRUPTION POLICY

DRAFT

Informal Consultation

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Executive Summary

This background paper to the informal consultation provides an update on the Anti-Fraud and Anti-Corruption Policy approved by the Executive Board at its Annual Session in May 2015 (WFP/EB.A/2015/5-E/1), which built on WFP's first Anti-Fraud and Anti-Corruption Policy (WFP/EB.2/2010/4-C/1), which was approved in 2010.

Since approval of the policy in May 2015, WFP has enhanced its efforts to counter fraud and corruption. This paper provides:

> ➢ an update and overview of the efforts undertaken by WFP to counter fraud and corruption on the basis of the policy in recent years, including through enhanced tools and capacity and accountability mechanisms;

> ➢ an overview of WFP's response to the Joint Inspection Unit Report on "Fraud Prevention, Detection and Response in United Nations System Organizations" (JIU/REP/2016/4),[1] which appears in WFP/EB.1/2017/11-A; and

> ➢ identification of proposed efforts in 2017, which include completing a corporate fraud risk assessment, a Resilience Review and conception of a management-side coordinating function to enhance WFP's approach to countering fraud and corruption.

WFP has zero tolerance for fraud and corruption, which are contrary to WFP's core values. It accordingly does not tolerate any fraud and corruption in the course of its activities or operations by or in relation to WFP staff and non-staff personnel, cooperating partners, suppliers or other third parties.

These values are recognized in WFP's Strategic Plan (2017–2021).

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[1] Particularly on recommendation 16, which states that the legislative and governing bodies of the United Nations system organizations should: place on their respective agendas a permanent or standing item relating to fraud prevention, detection and response; review on an annual basis the consolidated and comprehensive management report presented by the executive head on anti-fraud policy and activities; and provide high-level guidance and oversight on fraud-related matters.

1. WFP's Anti-Fraud and Anti-Corruption Policy and Related Achievements

1. In 2010, the Executive Board approved WFP's first Anti-Fraud and Anti-Corruption (AFAC) policy (WFP/EB.2/2010/4-C/1), which set out counter-fraud principles, objectives, roles and responsibilities, including WFP's policy of zero tolerance for fraud and corruption.

2. WFP's updated AFAC policy, approved by the Executive Board in May 2015, builds on WFP's 2010 policy, including with regard to procedures relating to the risk of fraud and corruption. The AFAC Policy 2015, in respect to the one issued in 2010: expands the definition of "WFP's fraud and corruption" to also include coercive and obstructive practices; outlines specific obligations for WFP managers and obligations required to vendors and any third party entering into any contractual arrangement with WFP; and provides general guidelines on preventing conflict of interest, in line with applicable rules. It also set forth additional obligations to WFP personnel involved in procurement processes; and informs that any breach to the Policy may lead to the imposition of disciplinary sanctions against WFP personnel and constitute grounds for immediate termination of contractual agreements with third parties.

3. In detail, the following practices are collectively referred to as "Fraud and corruption":

   a) Fraudulent practice is any act or omission, including any misrepresentation, that knowingly misleads, or attempts to mislead, a party to obtain any financial or other advantage, or to avoid any obligation, to benefit the perpetrator or a related party.

   b) Corrupt practice is the offering, giving, receiving or soliciting, directly or indirectly, or attempt to do so, of anything of value to influence improperly the actions of another party.

   c) Collusive practice is an arrangement among two or more parties designed to achieve an improper purpose, including but not limited to, influencing improperly the actions of another party.

   d) Coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

   e) Obstructive practice is: i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a duly authorized investigation into allegations of corrupt, fraudulent, collusive or coercive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or ii) acts intended to materially impede the exercise of WFP's contractual rights of access to information.

4. Fraud and corruption encompasses the above-mentioned practices when perpetrated either by WFP staff and non-staff personnel or by and against WFP cooperating partners, suppliers or other third parties. The AFAC policy applies to all activities and operations of WFP, including any project funded by WFP, and any project implemented by WFP with any government agency and/or cooperating partner.

5. The AFAC policy is based on the principles set out in the Staff Regulations and Rules, the Financial Rules, the Standards of Conduct for the International Civil Service, the Notice from the Inspector General on Reporting Fraud and other Wrongdoing, and other WFP issuances. It also reflects the principles underlying the United Nations Convention against Corruption.

6. Recognizing that WFP must operate in accordance with certain principles as a part of the United Nations, the formulation and implementation of Country Strategic Plans will adhere to WFP principles. Anti-fraud and anti-corruption, protection and "do-no-harm" and related measures will be considered during the joint design and implementation of programmes with governments and partners.

7. In particular, the AFAC policy covers:

    a) measures to prevent fraud and corruption;
    b) roles and responsibilities of WFP staff and non-staff employees;
    c) the training and disclosure programme;
    d) reporting procedures;
    e) investigation procedure; and
    f) actions following any breach of the policy.

8. Effective fraud prevention, detection and response mechanisms for WFP are essential in safeguarding the organization's interests against monetary loss and reputational risk, and in delivering programmes effectively for its beneficiaries, establishing trusted partnerships and ensuring continued receipt of valuable contributions.

9. Moreover, WFP is committed to transparency and accountability in the management of its resources in order to ensure the effective fulfilment of its Strategic Objectives. To this end, WFP seeks to prevent fraud and corruption through: i) appropriate internal checks and balances; ii) personnel training and awareness; iii) due diligence practices in the recruitment of WFP personnel and the hiring of contractors; and iv) effective internal and external auditing controls with effective inspections and investigations.

10. This section provides a review of progress and activities in each of the above-listed areas of the AFAC policy and the WFP governance, risk management and control environment.

1.1. Measures to Prevent Fraud and Corruption

The Three Lines of Defence at WFP

11. Following a review by the United Nations High-Level Committee on Management (HLCM), WFP has adopted the three lines of defence model of the Institute of Internal Auditors (IIA).

12. In the three lines of defence model, roles and responsibilities for countering fraud and corruption are distributed among parties who own and manage risk as the first line of defence, management functions that monitor risks and controls as the second line, and parties that provide independent assurance to the Executive Board and senior management on the functioning of AFAC controls as the third line, which includes the Office of the Inspector General (OIG) and the Office of Evaluation. In line with the Institute of Internal Auditor's model, the Audit Committee and the External Auditor provide additional lines of defence.[2]

13. At WFP, first-line operational managers carry out processes that include anti-fraud controls and prepare risk registers documenting the top risks affecting their respective areas. Headquarters units and the regional bureaux comprise most of the second line of defence; the proposed AFAC function (see section 4.3) is intended to supplement the second line of defence and enhance the effectiveness of other actors in the first and second lines. OIG – including Investigation and Inspections and Internal Audit – carries out activities that require an independent perspective, including investigations, audits and "proactive integrity reviews" and are part of the third line of defence.

Internal Control Systems

14. In WFP, the internal control system and the control environment is an integral part of the overall process of managing operations. Countering fraud and corruption is a key part of the internal control system.

15. WFP has adopted in 2011 an internal control framework (ICF) based on the ICF of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The ICF is a key element to prevent and detect fraud and corruption. In 2015, WFP revised its ICF in line with the latest guidance issued by COSO in 2013 (COSO 2013), which explicitly describes 17 principles of effective internal control. The revised framework includes a specific principle (Principle 8) that requires WFP to consider the potential for fraud in assessing risks to the achievement of its objectives.

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[2] Reference: Institute of Internal Auditors *Leveraging COSO Across the Three Lines of Defense*, available at: https://na.theiia.org/standards-guidance/Public%20Documents/2015-Leveraging-COSO-3LOD.pdf

16. The Executive Director provides annual assurance to the stakeholders on internal control with the issuance of a "Statement on Internal Control", which provides specific assurance on the effectiveness of WFP internal controls , identifies significant risk and internal control matters that require improvement and outlines-planned actions for strengthening controls. The Statement on Internal Control is prepared on the basis of inputs from the "three lines of defence" (paragraphs 11–13). These inputs include:

   a) A manager certification process (first and second lines of defence). Each director in the first and second lines of defence is required to complete an annual Assurance Statement, based on a series of questions covering the 17 principles within the ICF.

   b) The Inspector General (third line of defence) basis his annual opinion on the adequacy and effectiveness of internal controls on the reports and recommendations made during the year.

17. Pursuant to the update of the ICF in line with COSO 2013, which introduced Principle 8 on fraud, WFP added a question to the Assurance Statement asking managers whether they "considered the potential for fraud when identifying and assessing risks". Affirmative responses required managers to: identify areas perceived as having the most significant exposure to fraud and corruption risk; comment on the unit's anti-fraud controls; consider actual or potential fraud or corruption losses; and discuss activities focused on assessing fraud risk.

18. The IIA has provided examples of how responsibilities for implementing COSO 2013 Principle 8 – on the risks that fraud poses to the achievement of objectives – may be distributed across the three lines of defence. Regarding the role of the Board, the IIA states that it is responsible for oversight of systems and processes intended to deter and detect fraud, to set the "tone at the top" for the prevention and detection of fraud, in conjunction with management, and to receive periodic updates on the organization's exposure to fraud and corruption.[3]

19. In addition, the revised ICF includes a question on awareness of and compliance with WFP's Evaluation Policy (WFP/EB.2/2015/4-A/Rev.1).

Enterprise Risk Management

20. Enterprise Risk Management (ERM)[4] is another essential element to an effective counter-fraud system for WFP, as it provides the framework through which risks are identified, analysed and addressed, and accountability for managing the risks is assigned.[5] WFP's ERM framework is based on the COSO 2004 Enterprise Risk Management Integrated Framework.

21. In 2015, WFP issued a revised ERM Policy (WFP/EB.A/2015/5-B), which establishes a systematic and sustainable approach to managing risks and opportunities throughout WFP that is clearly linked to the achievement of objectives. WFP's exposure to the risk of fraud, corruption and collusive practices is discussed as part of WFP's Risk Appetite Statement (WFP/EB.1/2016/4-C).

22. To this end, the WFP Corporate Risk Register (CRR) has been revised to include the risk of fraud and corruption affecting operations (CRR9), which may compromise WFP programmes and reputation. The WFP Chief of Staff has been identified as the corporate owner of this risk, and parties including regional and country directors, the Director of the Supply Chain Division, the Director of the Policy and Programme Division and the Director of the Performance Management and Monitoring Division are responsible for ensuring the implementation of relevant mitigating controls. The Performance Management and Monitoring Division reports progress to the Executive Management on a quarterly basis.

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[3] IIA *Leveraging COSO Across the Three Lines of Defense*.

[4] ERM is a process, effected by an entity's board of directors, management and other personnel, applied in strategic settings throughout the entity, and designed to identify potential events that may affect the entity and to manage risk to be within the entity's risk appetite to provide reasonable assurance regarding the achievement of the entity's objectives.

[5] In 2014, OIG conducted an advisory assignment aimed at providing WFP with insights into its ERM practices for determining future positioning, prioritizing improvement opportunities and developing a high-level road map for ERM implementation.

Obligations of Partners - Contractors, Cooperating Partners and Vendors

23. The AFAC policy clarifies and enhances the obligations of vendors, suppliers and contractors to WFP in addressing the risk of fraud and corruption. Any vendor or other third party entering into any contractual arrangement with WFP is required to carry out its activities not only within the provisions of the agreement but also in accordance with the general principles stated in the AFAC policy and to report immediately any allegations of fraud and corruption that come to their attention. The AFAC policy requires that an appropriate AFAC clause be included in all contracts with cooperating partners, suppliers and other third parties entering into any contractual arrangement with WFP.

24. To this end, in 2016 the AFAC clause for WFP partners was revised in line with the model included in the AFAC policy. This update included revision of the General Conditions of the Field-Level Agreement template for all cooperating partners and of supplier contracts with vendors and suppliers.

25. Since the AFAC policy came into force, OIG has used this clause to conduct five investigations of fraud and corruption allegations against vendors and cooperating partners.

Due Diligence in Recruitment

26. In WFP employees are a major asset and make essential contributions to controlling fraud risk. All hiring managers and personnel responsible for recruitment and selection are required to emphasize integrity as a selection criterion, conduct due diligence and exercise due care during any recruitment processes for staff or non-staff employees, regardless of rank or length of service.

27. The recent OIG Internal Audit of human resources management in country offices[6] noted that due diligence was exercised in the recruitment of WFP personnel, but recommended strengthening the background and reference checks of candidates for staff and non-staff positions by making them more consistent, reliable and aligned with the risk profile of different WFP operations. Assessment of candidates' qualifications for employment is also expected to be made more efficient and consistent by updating the bank of competency-based interview questions and developing a database of outlines for written tests. This work is on-going.

Preventing Conflicts of Interest

28. WFP has a policy[7] regarding identifying and managing the resolution of conflicts of interest.[8] WFP personnel shall not engage in any outside occupation or employment unless authorized. In addition, WFP personnel may not be actively associated with the management of, or hold financial interest in, any business concern from which they may be able to benefit by reason of their official position within WFP.

29. As an independent office, the Ethics Office assists the Executive Director in nurturing a culture of ethics and accountability to enable all WFP employees to perform their functions with the highest standards of integrity. The Ethics Office received disclosures and provides advice as related to conflicts of interests on a routine and ad hoc basis in addition to administering the Annual Conflict of Interest and Financial Disclosure Programme (FDP). The FDP reached in 2014 and 2015 a 100 percent compliance rate. The FDP is comprised of three parts: Conflicts of Interest (COI) Questionnaire; an Eligibility Questionnaire; and a Financial Disclosure Statement. For the 2015 FDP, which covers calendar year 2014, 1,201 WFP employees completed the COI Questionnaire and of these 221 were flagged for possible conflicts of interest, reviewed and cleared. One conflict of interest was identified and addressed. 1,021 WFP employees were required to also file the Financial Disclosure Statement and of these 22 were flagged as possible conflicts of interest; none were determined to be actual conflicts of interest. Four additional cases were reviewed and cleared by the Ethics Office.

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[6] Internal Audit Report AR/16/15

[7] Executive Director Circular No. ED2008/004, Disclosure of financial interests, outside activities and honours, decorations, favours, gifts or remuneration.

[8] A conflict of interest is a real or apparent incompatibility between a staff member's private interests and either his/her official duties or the interests of the Programme. It includes circumstances in which a staff member, directly or indirectly, would appear to benefit improperly, or allow a third party to benefit improperly, from his/her association in the management or the holding of a financial interest in an enterprise that engages in any business or transaction with the Programme.

30. The Office of Inspections and Investigations (OIGI) in OIG since the introduction of the 2015 AFAC has conducted four investigations involving conflicts of interests.

Assurance

31. Independent assurance and oversight activities protect the integrity, efficiency and effectiveness of WFP's programmes and operations.

32. Under its Charter, OIG provides internal audit, advisory services, inspections, and investigations to protect the integrity, efficiency and effectiveness of WFP's programmes and operations and detects and deters fraud, waste and abuse. OIG ascertains that the actions of WFP personnel comply with WFP's regulatory framework, and that WFP vendors and other third parties observe applicable WFP policies, rules and regulations, including the AFAC policy. OIG has assisted in the development of an AFAC culture.

33. Since approval of the revised AFAC policy in 2015, OIG has publicly disclosed 30 audits and 2 inspections of WFP operations. Assurance focuses on the governance, risk management and controls in operations that are essential in preventing and addressing the risk of fraud.

34. Since approval of the revised AFAC policy in 2015, the number of investigations in respect of fraud and corruption has increased by around 100 percent since 2014 (39 from May to December 2015 compared to 20 in 2014). This increase has resulted in increased identification of financial loss to fraud, which rose from USD 39,000 in 2011 to USD 1.2 million in 2015. Annex 1 provides a summary of the reported fraud and recoveries in the past five years. WFP management actions addressing OIG recommendations for: i) administrative and/or disciplinary action and ii) referral to national authorities for criminal prosecution as appropriate. In this regard OIGI has drafted a standard operating procedure for referral to national authorities.

35. The External Auditor, pursuant to Section XIV and its related Annex of the Financial Regulations, provides independent oversight for WFP, and the report of the External Auditor to the Board should mention any cases of fraud or presumptive fraud or wasteful or improper expenditure of WFP's money or other assets, thereby contributing to the objectives of the AFAC Policy.

1.2 Training and Development Programme

Learning and Development

36. WFP is committed to preventing fraud through a structured learning and development programme. Since introduction of the AFAC policy, significant learning and development opportunities on the risk of fraud and corruption have been introduced.

37. These opportunities include: i) the mandatory training course for all staff and non-staff employees on prevention of fraud, corruption and sexual exploitation and abuse, which is available in four languages, which aims to increase awareness of the risks of fraud and corruption and develop skills for understanding, detecting, preventing and reporting such practices – between 1 January 2015 and 31 December 2016, 62 percent of all personnel completed this course; ii) a Mandatory Ethics training programme for all staff and non-staff employees entitled "Ethics and Standards of Conduct at WFP", which is being rolled out in three phases, starting in December 2016, with subsequent phases including AFAC; and iii) a training programme on fraud prevention for personnel in the Jordan, South Sudan and Uganda country offices was delivered in 2016. OIGI conducts regular outreach to personnel during field missions in order to continue raising awareness on the AFAC Policy and the work of the office.

38. The Ethics Office, by virtue of the Education and Outreach aspect of its mandate consistent with other United Nations, multinational and private sector offices, includes AFAC in its awareness, communications and training efforts. In 2016 and 2015, WFP marked United Nations International Anti-Corruption Day (December 9) within WFP organization-wide.

39. Through three training workshops in 2016, the Ethics Office has raised awareness/knowledge of AFAC and responsibilities of WFP, its personnel and partners, with 69 of the 106 Respectful Workplace Advisors (RWAs), supporting their role as "Ethics Ambassadors". In addition, further supporting their role as "Ethics Ambassadors", 52 RWAs received "train the trainer" training on AFAC through one workshop and several conference calls conducted by the Ethics Office in November and December, 2016. As a result, to date, the RWAs have conducted AFAC sessions

in five country offices and sub-offices through the East and Central Africa, West Africa and Middle East, North Africa, Eastern Europe and Central Asia regions, reaching more than 115 WFP employees. The Ethics Office, as part of its mandate to provide education and outreach, covered AFAC as part of other awareness and training sessions, as well.

1.3 Reporting Procedures

40. All WFP personnel promptly are required to report any practice contrary, or reasonably suspected of being contrary, to the Policy, or any attempts thereof, to the OIG. Also management is required to immediately report instances or suspicions of fraud and corruption to the OIG. Reports to OIG can be made via the telephone (+39.06.6513.3663) and fax number (+39.06.6513.2063), or to the WFP confidential hotline at hotline@wfp.org.

41. As a result of the increasing sensibility to fraud and corruption matters among WFP personnel, the number of allegations received has increased by over 120 percent since 2012. OIG received 23 allegations concerning fraud and corruption in 2012, increasing to 52[9] in 2016.

1.4 Investigation Procedure

42. OIG investigates credible allegations of fraud and corruption. To support the enhanced focus on countering fraud and corruption, OIGI has implemented a transformation agenda since 2014. This change has resulted in: the introduction of a significant forensic capability to support investigations; new data mining and analytical tools and skills; enhanced counter-fraud competencies through recruitment and training; improved cooperation with national law enforcement agencies and partners; and improved outreach to WFP units. In 2016, OIG released new Investigation Guidelines that provide personnel, cooperating partners and vendors with a more transparent and accessible guide to obligations and processes.

43. The AFAC policy introduces a new anti-fraud tool, "proactive integrity reviews" (PIRs), which facilitate the detection of fraud, corruption and wrongdoing and the mitigation of financial and reputational risks relevant to the activities of WFP's units. WFP has invested in OIGI with regard to both its responsive and proactive approach to investigations. OIG conducted five PIRs in 2016 on a pilot basis on specific operational issues that may indicate risk of fraud, corruption, collusion and other wrongdoing; another two PIRs are being finalized in early 2017 and an additional four have been identified with WFP management to be carried out in 2017.

44. OIG has increased its analysis of the weaknesses in fraud and corruption control identified through PIRs and its regular investigation activities and reported to WFP management and now issues OIG Management Information Notes that assess these fraud risk and control failures. Nine Report on Control Weaknesses and Management Information Notes have been issued since the policy took effect.

45. As required by the AFAC policy, having reviewed the 52 allegations received in 2016, OIGI opened 26 investigations, some of which are still in progress. Annex 1 provides a summary of fraud reported in the past five years.

1.5 Action Following Breaches of the Policy

46. The Inspector General may recommend that appropriate administrative, legal and/or disciplinary action be taken against any person or entity that is found to have violated the AFAC policy. Through the mandatory anti-fraud training course, WFP staff are made aware that fraud and corruption constitute serious misconduct that may lead to the imposition of disciplinary measures up to and including summary dismissal.

47. WFP publishes an annual report disclosing disciplinary matters. The report confirms that, where serious misconduct has taken place, WFP has imposed sanctions and taken action to ensure accountability.

48. The disciplinary measures imposed in 2015 are consistent with WFP's commitment to maintaining a "zero tolerance" approach to fraud. All confirmed cases of fraud or corruption by a current employee resulted in the separation of the employee. The 2015 report details the

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[9] See the annual report of the Inspector General for a breakdown of allegations by type.

increase in dismissals related to disciplinary measures with 27 dismissals in 2015 compared with 7 in 2014; 70 percent of these dismissals related to fraud or conflict of interest.

49. OIGI assisted the Supply Chain Division in 2015 to draft the vendor sanction policy which was approved as a joint Directive, on 15 December 2015 (Circular No. OED2015/022). This Directive was established in furtherance to WFP's zero tolerance policy on fraud and corruption, and it has been extended to vendors and cooperating partners. OIG has an active role at the upstream level of the sanction mechanism, as the main provider of information on violations of procurement rules, through its investigation work.

50. Cases involving criminal activity may be referred to local law enforcement authorities. Management makes any such referral following consultation with the Legal Office and, if necessary, after waivers of immunity have been obtained. Since the first approval of the AFAC policy in 2010, six cases have been referred for criminal action and possible recovery to local authorities.

51. WFP addresses the risks identified as a result of investigations. Financial losses to fraud are recovered through legal action taken by WFP. For example, of the USD 1.2 million lost in 2015, USD 779,278 has been recovered to date.

1.6 Fraud Reporting to WFP Governing Bodies

52. This section provides an overview of existing reporting streams from management and OIG to WFP governing bodies. Annex 2 provides a comprehensive overview of AFAC-related assurance reporting to staff, management, and legislative and governing bodies.

53. Recommendation 16 from the Joint Inspection Unit (JIU) report states that "The legislative and governing bodies of the United Nations system organizations should: place on their respective agendas a permanent or standing item relating to fraud prevention, detection and response; review on an annual basis the consolidated and comprehensive management report presented by the executive head on anti-fraud policy and activities; and provide high-level guidance and oversight on fraud-related matters".

54. This document is intended to support discussion with WFP's Board on whether and what additional fraud reporting is needed to provide Member States with assurance regarding WFP's approach and commitment to continuous improvement in line with best practices.

55. Management and the Inspector General engage with the Audit Committee in regular discussion of investigation, litigation, accountability, and ethics matters, and other agenda items (Annex 2). The Audit Committee escalates any significant issues through its annual report to the Executive Board and in its meetings with the Executive Board Bureau, which occur three times each year. The Audit Committee also has closed sessions with the Executive Director three times a year, which provide an opportunity to raise concerns for immediate management action.

56. OIG provides an overview of the activities of OIGI as part of its annual report. The overview provides information on the results of investigations; an estimate of presumed fraud losses and recoveries; statistics on the types of cases and their status; and a brief summary of each case, with identified losses.

57. As described in paragraph 16, the Executive Director highlights any significant internal control weaknesses, including those related to fraud, in the annual Statement on Internal Control; directors are provided with guidance to support preparation of the Assurance Statement, including a checklist with questions related to fraud prevention and risk assessment; and the Chief Financial Officer reports on losses in a note in the Audited Annual Accounts.

2. WFP's Response to the Joint Inspection Unit Report on Fraud Prevention, Detection and Response

58. The JIU recently issued a report on "Fraud Prevention, Detection and Response in United Nations System Organizations" (JIU/REP/2016/4) addressing the status of anti-fraud efforts in the United Nations system, particularly in the 28 participating organizations of the JIU. The report examines fraud prevention, detection and response at the conceptual and operational levels, and advocates for the adoption of a fraud management framework that provides guidance on ways of dealing with fraud.

59. According to the JIU report, United Nations organizations have made progress, but challenges remain. The review recommended various measures for the JIU participating organizations to take in order to develop a better understanding of the threat of fraud and to improve ways of responding to fraudulent activities and malfeasance.

60. The diverse challenges identified in some of the United Nations system organizations included: the need for a stronger "tone at the top" regarding how to deal with fraud; failure to promote an encompassing anti-fraud culture; lack of systematic assessments to determine the level of fraud risk exposure; failure to give calls for "zero tolerance to fraud" without corresponding measures to ensure application in operations; the absence of a common definition of fraud; the absence of clear policies or strategies for fighting fraud; lack of ownership of business processes, and governance deficits in dealing with fraud; delays in investigations of alleged fraud compounded by shortages of trained and qualified forensic investigators; lack of proportionate resources dedicated to anti-fraud activities; weak implementation of multilateral frameworks for third–party sanction regimes; lack of systematic follow-up on investigation findings, particularly with national enforcement authorities; and the absence of robust disciplinary regimes to sanction employees that have engaged in fraudulent activities.

61. On receipt of the JIU report, WFP took immediate action to engage managers in responding to the report's recommendations, continuing the dialogue already under way at the draft stages of the JIU review. The office of the JIU focal point worked with managers to draft responses to the report's findings, which were sent to the Executive Management Group (EMG) for review and endorsement. Once endorsed by the EMG, the suggested response to the recommendation for action by governing/legislative bodies was sent to the Executive Board Bureau for its review and endorsement.

62. The report included 16 recommendations, 15 of which were tasked to the 28 participating organizations, including WFP, and one directed to the Secretary-General. Based on action taken following the approval of the 2010 AFAC Policy and subsequent 2015 updated AFAC Policy, WFP found that most of the recommendations had already been addressed, reflecting maturity relative to most of the benchmarks set forth in the report. The follow-up in advance of the update to EB.1/2017 on JIU recommendations found that WFP regards 13 of the 15 recommendations as implemented. The remaining two are expected to be implemented in 2017:

   ➢ Recommendation 5, which calls for a corporate fraud risk assessment and

   ➢ Recommendation 6, which calls for WFP to develop a corporate anti-fraud action plan.

63. OIG is currently conducting a corporate fraud risk assessment (see section 4.1), which will be issued to management as an advisory assignment. Following the reviews, management will prepare a corporate Anti-Fraud Strategy and Action Plan (see section 4.2).

64. JIU recommendation 1 which was addressed to the Secretary-General of the United Nations, recommended the adoption of common definitions – as used by multilateral development banks. WFP has adopted in its 2015 AFAC Policy the definitions used by the multilateral development banks concerning fraudulent, corrupt, collusive, coercive and obstructive practices.

3. Exposure to Fraud Risk in WFP's Operating Environment

65. WFP operates in challenging environments using a variety of modalities to achieve its objectives and in countries perceived by Transparency International to be those susceptible to a higher risk of fraud and corruption. The governance, risk management and control environment for addressing the risk of fraud and corruption should be designed accordingly. Fraud and corruption risks may differ by country, modality and delivery mechanism. The approach to assessing such risks will be subject to continual change. Changing modalities, strategic and planning methods, and control and financial frameworks for the identification, assessment and mitigation of emerging fraud and corruption risks; require WFP to continue developing its approach to fraud management and to apply equal flexibility to addressing these risks.

66. The Risk Appetite Statement "acknowledges that the quality of its operations and support services may be compromised in remote and complex environments. It will mitigate this risk through stringent implementation, oversight and internal controls". This appetite for the risk

inherent in remote and complex operations is combined with zero tolerance to fraud and corruption. Under the circumstances of found fraud and corruption there is a zero tolerance.

67. OIG is currently reviewing the maturity of WFP's fraud and corruption actions. The review will be issued in early 2017 (see section 4.1).

4. Developments in 2017

68. The following further actions are foreseen in 2017:

a) conducting a fraud risk assessment of WFP to identify the maturity level of the organization's management of fraud risk and the main fraud risks in activities including procurement and cash-based transfers;

b) developing a corporate Anti-Fraud Strategy and Action Plan based on the results of the fraud risk assessment and an understanding of WFP's risk management, governance and control environment.

c) enhancing WFP's coordination in countering fraud and corruption;

d) continuing to improve the internal control environment and ERM;

e) enhancing OIG's focus on the risk of fraud and corruption through PIRs and investigations and the use of specialist counter-fraud expertise;

f) institutionalizing and increasing awareness on consequences imposed against any perpetrator of fraud and corruption; and

g) conducting regular lessons-learned sessions toward management at regional bureaux and country office level and regional in order to raise awareness on the need to implement effective anti-fraud controls.

69. Considering a more broad time horizon, the AFAC Policy, as all other WFP's policies, will be evaluated within 4–6 years from start of implementation as indicated by the Evaluation Policy (2016–2021).

4.1 Fraud Risk Assessment

70. As part of the 2016 work plan and to implement recommendation 5 of the JIU Fraud Report, OIG is conducting a fraud risk assessment throughout WFP to review the basic vulnerability to fraud of processes, functions and activities and highlight those most at risk; and to define measures for mitigating the level, nature and form of the fraud risk to be managed. The fraud risk assessment is expected to be issued to the Executive Director as an Advisory Assurance Assignment Report in the first quarter of 2017.

71. The fraud risk assessment will address both the external and internal risk environments and establish the level, nature and form of fraud risk exposure. It will provide a basis for a WFP Anti-Fraud Strategy and Action Plan (see section 4.2). The fraud risk assessment also aims to raise the awareness of participating staff members' regarding the risk of fraud and enhance their ability to conduct risk assessments and use risk registers to identify and document fraud risks, and therefore prevent or detect possible fraud incidents in their functional and operational areas. The results of the JIU review on "Fraud Prevention, Detection, and Response in United Nations System Organizations" will be used in this advisory engagement.

72. OIG is conducting an AFAC Risk Resilience Review of WFP to assist in identifying and assessing the organization's resilience to the risk of fraud and corruption. This will comprise a review of WFP's maturity in addressing fraud and corruption. Areas for improvement highlighted in this review will inform design of the WFP Anti-Fraud Strategy and Action Plan (see section 4.2).

4.2 WFP Corporate Anti-Fraud Strategy and Action Plan

73. In line with the response to recommendation 6 of the JIU report on Fraud Prevention, Detection, and Response, WFP is preparing an Anti-Fraud Strategy and Action Plan based on the findings of the fraud risk assessment and the AFAC Resilience Review, which will consider fraud risks and address prevention, detection and response measures at the strategic, operational, and tactical levels, considering the evolving environment.

4.3 Coordination and Management within WFP

74. WFP is committed to a proactive approach to countering fraud and is preparing a strategy and action plan to integrate anti-fraud controls into corporate frameworks and operational management.

75. To this end, WFP's Resource Management Department plans to establish a coordination function to enhance corporate efforts to counter fraud and corruption, to complement the independent assurance activities performed by OIG, resources permitting. WFP will refine the concept of the corporate anti-fraud coordination function following the fraud risk assessment and will identify resources for establishing and maintaining the function.

76. The function will focus on managing and coordinating WFP's approach to fraud and corruption by:

    a) Developing a corporate action plan for promoting compliance with the AFAC policy and implementing the recommendations of the fraud risk assessment;
    b) Enhancing the capacity of the first and second lines of defence to counter fraud and corruption through tools and training;
    c) Preparing further practical guidance to support implementation of the AFAC policy;
    d) Analysing evidence from various streams, including PIRs, to identify emerging risks and trends, and engaging with stakeholders to identify mitigating actions;
    e) Keeping abreast of best practices with regard to AFAC controls, detection, and risk mitigation, and promoting their adoption at WFP; and
    f) Providing assurance to stakeholders that WFP has established robust AFAC controls that are regularly monitored and updated as needed.

4.4 Enhanced Internal Control Framework and Enterprise Risk Management

77. WFP keeps abreast of COSO guidance, including the COSO Internal Control and Enterprise Risk Management frameworks.

78. Each year, WFP reviews its ICF to ensure that the 17 principles of internal control are operating effectively. The questions in the Assurance Statement signed by all directors are reviewed and updated annually. This review provides an opportunity to increase the scope of feedback on internal control matters.

79. The Corporate Risk Register will be reviewed in 2017, including reassessment of risk seriousness in relation to implementation of current mitigating measures, as well as definition of new measures that will be closely linked to oversight recommendations. This will include review of measures that prevent fraud, corruption and collusive practices and mitigate the relevant corporate risk (CRR 9).

4.5 Enhanced Focus on Anti-Fraud Activities by OIG PIRs and Investigation Processes

80. Following the pilot phase of PIRs (see paragraph 43), OIG is drafting a PIR Manual to establish PIR standard operating procedures for planning, executing and reporting on the results of PIR. Upon completion of the development phase, the PIR Manual will be implemented and go through a period of refinement and mainstreaming.

Summary of Fraud Reported in the Last Five Years (amounts in USD)

		2015	2014	2013	2012	2011	
	Fraud	1,182,152*	850,436	444,349	99,533	38,951	
	Recoveries	234,174	-	4,382	-	-	
	* In 2016, WFP has recovered USD 779,278 from a loss reported in 2015 of USD 915,064						

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AFAC-Related Assurance Reporting to Personnel, Management, and Legislative and Governing Bodies

	Personnel	Management	Executive Director	Audit Committee	FAO Finance Committee	ACABQ[1]	Executive Board Bureau	Executive Board
Annual Report of the Office of the Inspector General			✓	✓	✓	✓		✓
Statement on Internal Control		✓	✓	✓	✓	✓		✓
Audited Financial Statements		✓	✓	✓	✓	✓		✓
External Audit Performance Audits		✓	✓	✓	✓	✓		✓
Report on Post-Delivery Losses				✓				✓
Annual HR Disciplinary Report[2]	✓	✓	✓	✓				
EMG Consolidated Oversight Update		✓	✓					
Annual Report of the Audit Committee			✓	✓	✓	✓		✓
Audit Committee Note for the Record[3]		✓	✓				✓	✓
Audit Committee Consolidated Oversight Update				✓				
Annual Report of the Ethics Office		✓	✓					✓

[1] Advisory Committee on Administrative and Budgetary Questions

[2] HR publishes the annual Disciplinary Report as an awareness-raising tool on a voluntary basis. It is not a corporate reporting requirement.

[3] For each of the Audit Committee's three annual meetings, a note for the record is issued. The note for the record summarizes the Committee's discussions with management and OIG as part of sessions including Internal Oversight Matters, Investigations Matters, Litigation Matters, External Oversight Matters, Operational Matters, Accountability Matters, Financial Matters, Ethics Matters, and business area sessions such as information technology, supply chain, etc. A session is also held with the Executive Board Bureau to discuss priority matters and to report on discussions with management. The note for the record is disseminated to the Executive Board Bureau in English for onward dissemination to the Regional Electoral Lists of the Executive Board.

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