



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

Executive Board
Annual session
Rome, 20–24 June 2022

Distribution: General

Agenda item 6

Date: 21 April 2022

WFP/EB.A/2022/6-E/1*

Original: English

Resource, financial and budgetary matters

* *Reissued for technical reasons on
13 May 2022*

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/2022/6-E/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 2021 to 31 March 2022. The latter date coincides with finalization of the annual financial statements – an important focus of the Independent Oversight Advisory Committee. More detailed information on the committee's activities can be found in the Independent Oversight Advisory Committee's meeting minutes, action items attached to meeting minutes and summaries of discussions with the WFP Executive Board Bureau.

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

Suresh P. Kana
Chairperson
April 2022

* 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 \(WFP/EB.2/2021/9-A\)](#).

Executive summary

The Independent Oversight Advisory Committee implemented its workplan 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 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 2021 were brought to the Independent Oversight Advisory Committee's attention. In this regard the Independent Oversight Advisory 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 annual financial statements at 31 December 2021.

This is the eleventh year that WFP is providing an overall statement on internal control. The Independent Oversight Advisory Committee welcomed the changes to the process of preparing the statement in internal control which now incorporates a triangulation process with the Joint Inspection Unit recommendations review, the External Auditor findings, the Office of the Inspector General reports, the Office of Evaluation reports, matters highlighted during the monitoring of the corporate risk register, other assurance products and function leads, and reported material events.

The Independent Oversight Advisory Committee also noted the continued improvement in reducing the number of outstanding overdue actions on audit observations by management throughout 2021.

Overall the enterprise risk management process continues to evolve. WFP management is implementing the enterprise risk management programme in line with its decentralized manner of operations, allocating responsibilities for risk management in the regional bureaux and country offices. Each country office selects its own risk indicators with the Enterprise Risk Management Division checking the appropriateness of the indicators chosen. Progress under each of those indicators is monitored by staff from the relevant function. While the Independent Oversight Advisory Committee acknowledged the progress that was made in the enterprise risk management function there is still room for improvement in terms of designing the process of risk monitoring.

The Independent Oversight Advisory Committee welcomed the independent maturity assessment of WFP's enterprise risk management function carried out by the consulting firm Baldwin Global. The assessment focused on the strengths and weaknesses of enterprise risk management, the effectiveness of the enterprise risk management policy, and areas for improvements. Areas suggested for improvement are being considered by management.

The effectiveness of communication about the revised anti-fraud and anti-corruption policy is considered by management to be reflected in the increase in the number of fraud allegations reported to the Office of Inspections and Investigations. This is perceived as an indication of the impact of efforts to improve awareness of fraud. There are other factors that may have contributed to the increase in number of fraud allegations. However, the Independent Oversight Advisory Committee suggests management should look at the root causes of fraud in order to determine changes in internal controls to prevent fraud from recurring.

Despite serious challenges posed by COVID-19 travel restrictions and executive staff turnover, the Office of the Inspector General has delivered well on its audit plan for 2021 and demonstrated a high degree of adaptability and effectiveness in challenging circumstances. The Independent Oversight Advisory Committee concurs with the assurance opinion that the governance and

control frameworks of WFP have been stretched and challenged by the rapid growth of the organization and increasing activities in difficult environments. This was also highlighted by the Independent Oversight Advisory Committee in its 2020 annual report.

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. Travel restrictions under COVID-19 have placed pressure on the conduct and finalization of investigations with the historic benchmark of six months, from the decision to undertake a full investigation to its conclusion, being exceeded.

The Executive Director continues to 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 continues its work diligently. Reporting of offences has increased significantly as has the caseload of investigations.

As regards the recent change in the Independent Oversight Advisory Committee's terms of reference to provide oversight over the evaluation function, the Independent Oversight Advisory Committee has been deliberating the operationalization of this change and its implications. In addition, in line with the spirit of the Joint Inspection Unit recommendation that fosters harmonization across the United Nations system, the Independent Oversight Advisory Committee has also reviewed the way other United Nations entities have implemented similar provisions. The committee will continue these discussions with the Bureau to ensure that expectations of the Independent Oversight Advisory Committee in providing oversight over this area are clear.

With the dramatic increase in humanitarian assistance expected over the foreseeable future, management will be continually challenged to ensure that the internal capacity in terms of resourcing, information technology, risk management and internal controls continues to be enhanced to cope with the surge in activity over the foreseeable future. WFP has done exceptionally well on fundraising and efforts in the area should continue.

Introduction and functions of the Independent Oversight Advisory Committee

Terms of reference

1. The Independent Oversight Advisory Committee's (IOAC) 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 Office of the Inspector General. 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.
2. During 2018, in line with the Joint Inspection Unit's (JIU) recommendations, the terms of reference of the IOAC were expanded to: i) include an annual self-assessment of its performance and report thereon to the Executive Board and Executive Director, and ii) provide incoming IOAC members with a one-day induction, similar to that arranged for new Executive Board members and observers, prior to their first meeting. Additional changes to the terms of reference expanding the scope of the IOAC to include oversight of the Office of Evaluation, an increase in meetings to four times a year and conducting an independent performance evaluation every three years were approved at the 2021 second regular session in November.
3. The IOAC Rules of Procedure, which provide additional guidance, are available on the IOAC web page². Changes made this year to the Rules of Procedure include the requirement for an annual self-assessment of its performance and an independent performance evaluation every three years.
4. For the year ended 31 December 2021, the IOAC'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;
 - evaluations; and
 - allegations of inappropriate activity.

Composition of the IOAC

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

² <https://executiveboard.wfp.org/independent-oversight-advisory-committee>.

IOAC activities

6. This report covers the period from 1 April 2021 to 31 March 2022. It provides an overview of the IOAC's work and highlights issues that require the attention of the Board and the Executive Director.
7. The IOAC met virtually and in-person four times during this period – in July 2021, September 2021, December 2021, and March 2022. Between formal meetings, telephonic 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 regarding matters that required the IOAC's attention. The Executive Director or the Chief of Staff met with the IOAC at most 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 during this period. The IOAC also met with the Director of Internal Audit and the Director of Inspections and Investigations.
8. On the first and last days of each meeting, the IOAC holds executive sessions, generally with the Executive Director or Deputy Executive Director and the Chief of Staff. These sessions focus on strategic issues and provide the IOAC with insights into WFP's priorities and needs. The sessions are also used to share the IOAC's insights and concerns with the Executive Director/Deputy Executive Director/Chief of Staff and to communicate matters requiring the Executive Director's immediate attention.
9. The IOAC'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 IOAC's primary means of advising the Board on the status of WFP's governance, ethics, risk and control efforts.
10. Field visits are critical for IOAC 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 IOAC budget and are minimized by arranging travel in the geographic region of the IOAC member participating in the field visit. However, in view of COVID-19 travel restrictions field visits could not be undertaken during the period. These will be resumed once travel restrictions are lifted.

Financial statements

11. The draft annual financial statements were presented to the IOAC. Management and the External Auditor assured the IOAC that the financial statements had been prepared in accordance with International Public Sector Accounting Standards.
12. The IOAC commends management's success on the substantial increase in funding to USD 9.8 billion (2020: USD 8.9 billion).
13. Total expenses increased to USD 8.9 billion (2020: USD 8.1 billion) with cash-based transfers (CBTs) increased by USD 200 million for a total of USD 2.3 billion. The Syrian Regional Refugee Response emergency had a 21 percent share of the total CBTs distributed, followed by a 16 percent share in Yemen.
14. The surplus increased by USD 886 million (2020: USD 850 million). This is largely due to the growth in revenue and the time lag between revenue recognition and spending. In 2021 88 percent of the surplus was generated by high value contributions received just before year-end for Afghanistan and Pakistan.

15. Total assets increased by 12 percent to USD 11.7 billion primarily due to the growth in contributions receivable, cash, inventories and investments driven by the growth in operations. Food inventories increased by 22 percent over 2020 with price increases being the primary driver. Total liabilities are 4 percent higher to USD 3.7 billion.

Treasury and investments

16. The committee received information on the performance of the WFP investment management. The activities within the investment management were reported to be compliant with WFP policies and risk tolerance. During 2021, the World Bank Treasury performed a full end-to-end review of the inhouse investment portfolio. The findings were marginal risk reduction measures and enhanced control recommendations.
17. Ninety-eight percent of WFP balances at year-end were with A- or better rated banks or securities investments. This indicates a very low overall credit risk for the cash and short-term investment balances.
18. The employee benefit funds portfolio rose by 15.0 percent in 2021 while the long term liabilities decreased by 4 percent. As a consequence the funding ratio of the long-term employment benefit liabilities increased from 91 percent to 108 percent. This is a positive development however the conflict in Ukraine and expected interest rate increases may negatively impact the portfolio in 2022.

External audits

19. The External Auditor audited WFP's financial accounts for the year ended 31 December 2021 and issued an unqualified opinion. The External Auditor reported no material misstatements to the IOAC.
20. This is the final 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 2021 and conducted performance audits on WFP's management oversight and management of cooperating partners.
21. The performance audits had not been completed and the results will be reviewed prior to the departure of the Auditor General of France. Knowledge transfer between Bundesrechnungshof of Germany or the Federal Audit Office of Germany and the Auditor General of France is currently underway to ensure a smooth transition.
22. At the second regular session of the Executive Board in 2021 the Bundesrechnungshof of Germany or the Federal Audit Office of Germany was appointed as the External Auditor and would serve from 1 July 2022 to 30 June 2028. This appointment was made on the recommendation from the evaluation panel of the Bureau of the Executive Board on which the IOAC participated.

Enterprise risk management and internal controls

23. In the last few years WFP's management has been focused on improving enterprise risk management (ERM) processes. The IOAC has spent extended time to discuss matters related to risk management and accountability to develop the maturity of ERM. The discussions with the Chief Risk Officer and his team indicate that providing advice and guidelines to the field is gaining traction.
24. WFP management is implementing the ERM programme in a decentralized manner, following the decentralized model of WFP, allocating responsibilities for risk management in the regional bureaux and country offices. Each country office selects its own risk indicators from a corporate library of key risk indicators (KRIs), with the ERM Division

- checking the appropriateness of the indicators chosen. Progress under each of those indicators was monitored by staff from the relevant function.
25. The IOAC acknowledged the progress that was made in the area of risk management. However, there is room for improvement in terms of designing the process of risk monitoring. Firstly, the list of KRIs should be comprehensive enough to reflect all risks for WFP and all country offices. Secondly, there should be a process to ensure that a country office would monitor KRIs that are the most appropriate for their risk profile and risk appetite. Thirdly, there should be segregating duties between designing monitoring and collecting the data. Fourthly there should be a loopback mechanism between audit, investigation and evaluation findings and risk registers to foster learning.
 26. The IOAC welcomed the maturity assessment of WFP's ERM function carried out by the consulting firm Baldwin Global. The assessment focused on the strengths and weaknesses of ERM, the effectiveness of the ERM policy, and areas for improvements. Areas of governance, leadership, risk culture, and crisis management were assessed to build further on those strengths to reach maturity. However, there were six recommendations put forward by Baldwin Global who advised management to produce a simplified summary of the policy; improve communications and liaison with field offices; ensure that all country offices had appropriate support from risk and compliance advisors; create a mobile risk and compliance advisor unit for deployment in emergency settings; simplify risk analysis; and clarify control and mitigation measures. The function of risk and compliance advisors in country offices is crucial and it should be staffed by experienced personnel, well positioned within the structure of the field to take ownership for the risk management.
 27. Additionally, the IOAC recommended developing instruments for the management of risks in country offices, including adapting existing instruments to needs in the field, following a bottom-up approach that complemented the top-down approach used so far; and linking performance in ERM to annual performance reviews.
 28. The Baldwin Global review serves as a good benchmark for measuring progress in the embedding of risk management into all of WFP's work. Management has confirmed that they will track implementation of the Baldwin Global recommendations and will provide the IOAC progress updates.
 29. The IOAC looked at the ERM Division's role in ensuring internal control frameworks. The discussions have shown that the ERM Division is responsible for designing the anti-fraud and anti-corruption (AFAC) control framework. Individual functions such as CBT, supply chain and procurement own their respective frameworks. The second line is responsible for designing, reviewing and monitoring their control frameworks. The ERM Division has overall oversight over the second line. Thus, the IOAC recommended to the ERM Division to identify the residual risks that remain after implementing mitigation measures.
 30. The IOAC welcomed the changes to the process of preparing the Executive Director statement on internal control that is provided on an annual basis and now goes beyond self-assessment. It incorporated a triangulation process with the JIU's recommendations review, the External Auditor, the Office of the Inspector General (OIG), the Office of Evaluation, the corporate risk register, other assurance products and function leads, a verification of reported material events and the OIG assurance opinion.
 31. The IOAC inquired about the revised AFAC policy and recognized management's effort to communicate it throughout the organization. An increase in the number of fraud allegations reported to the Office of Inspections and Investigations (OIGI) was perceived as an indication of the impact of efforts to improve awareness of fraud. However, IOAC suggests management should look at the root causes of fraud in order to determine changes in internal controls to prevent fraud from recurring.

32. Finally, the IOAC examined the preliminary ERM Vision 2023 and encouraged management to be more ambitious with its targets for headquarter functions and the regional bureaux. Additionally, under the new strategic plan, the ERM Division indicated that risk appetites and mitigation measures required some adaptations. The IOAC welcomed the simplification of the corporate risk register and a reduction in the number of priority risks from the current 14 to 7 from calendar year 2022 which facilitated senior management's engagement in risk management.

Internal audit and investigations

33. Internal audits, advisory assurance and proactive integrity reviews (PIRs) 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.
34. The OIG is an independent oversight entity regulated by a charter approved by the Executive Board. It consists of two units: the Office of Internal Audit (OIGA) and OIGI. The work and output of both units played an important role in the Inspector General's assurance opinion for 2021.
35. According to its terms of reference, the IOAC 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.
36. The IOAC reviewed the Inspector General's assurance opinion for 2021 and concurred with the overall opinion that there were no material weaknesses in the governance, risk management or control processes that would seriously compromise the overall achievement of WFP's objectives. The IOAC also concurred with the assurance opinion that the governance and control frameworks of WFP have been stretched and challenged by the rapid growth of the organization and increasing activities in difficult environments. While maintaining the agility of field operations, enabling frameworks and related processes will require further maturing.
37. Regarding OIGA, the IOAC recognized the difficulties that the OIGA had to face because of severe travel restrictions imposed by the COVID-19 pandemic and turnover of OIG's executive staff. The original audit workplan for 2021, based on risk assessment and intention to focus on field operations, was reviewed and endorsed by the IOAC in March 2021. It consisted of 33 deliverables, comprising 20 country office audits, 11 thematic and information technology audits, 1 PIR and 1 advisory. Owing to uncertainty related to COVID-19 and the limited scope and assurance provided in 2020, the original audit plan for 2021 promised a slight increase of field audits and stable deliverables. The audit workplan was subsequently revised and approved by the Executive Director considering the ongoing travel restrictions and management needs. The revised number of deliverables was increased to 37 with a reduction in the number of full-scale country office audits to 17 and an addition of 9 special/ad hoc audits under OIGA's oversight (either direct involvement or supervision) focusing on specific areas of country operations.
38. The IOAC finds it commendable that, despite the surge of new COVID-19 variants and restrictions, the OIGA completed 33 deliverables in 2021, comprising 17 country office audits, 5 thematic and information technology audits, 1 PIR, 6 advisories, and 4 special/ad hoc audits.³ The OIGA has demonstrated a high degree of adaptability and effectiveness

³ These numbers include some audits from the 2020 workplan that were delayed and completed in 2021. Audits started in 2021 that were completed after the cut-off date for the OIG's 2021 annual assurance report will be included in 2022.

- in challenging circumstances. It managed to conduct 10 in-person field audits from its 2021 workplan.
39. In 2021, the OIGA introduced a new approach to country office audits focusing on five core areas: 1) beneficiary management; 2) CBT; 3) supply chain comprising procurement, logistics, and commodity management; 4) monitoring effectiveness; and 5) financial management and control.
 40. Completed OIGA audit results reflected the positive trend of ratings with less material areas rated as unsatisfactory or needing major improvement. The country office audits completed in 2021 accounted for 34 percent of WFP's total field expenditures (USD 2.9 billion) and covered 7 of the 16 high-risk field operations. The OIGA issued one "unsatisfactory" rating, namely the country office audit of Mali. There were five country office audits rated as "partially satisfactory with major improvements needed", namely the country office audits of Ghana, Colombia, Cameroon, Mozambique, and Burkina Faso. The other audits were rated as "satisfactory" or "satisfactory with some improvements" needed.
 41. None of the OIGA audits unearthed any weakness that was material to the overall achievements of the WFP's objectives. Critical risks were identified in individual audit assignments and were forwarded to management for prompt action. Nevertheless, high-risk and medium-risk OIGA audit observations continued to cluster in the areas of CBT, beneficiary management, cooperating partners (government and non-governmental), supply chain, and governance and risk management. Workforce planning (including protracted vacancies in key positions, staff turnover, and staff capacity) was a recurrent root cause which adversely impacted field operations requiring major improvements or rated as unsatisfactory. These issues are similar to those highlighted in audits of previous years and well explained in the Inspector General's assurance opinion and OIG's annual report for 2021.
 42. The IOAC noted the continued improvement in reducing the number of outstanding overdue actions by management throughout 2021. Based on the audit report's original timeline agreed by management, there were 30 overdue actions, of which 14 were classified as high risk at the end of 2021, as compared to 80 at the end of 2020 and 114 at the end of 2019. Top items of overdue actions continued to cluster in the areas of CBT and beneficiary management.
 43. Given the recurring audit observations of country offices and concentrated areas of outstanding overdue actions, the IOAC emphasized the needs for management to have effective looping back mechanisms whereby management at all levels share and learn from one another best practices and effective deployment of internal control measures with a view to closing recurring issues and addressing their root causes. To this end, the IOAC supports OIGA's activities to support management, for example in providing synthesis feedback.
 44. In 2021, an independent audit firm (Ernst & Young) was engaged to perform an external quality assessment of OIGA. The assessment found that OIGA "generally conforms" to all applicable standards and code of ethics of the Institute of Internal Auditors and rated OIGA's maturity as proficient (4.5 on a scale of 1 to 6). On areas for improvement, the report highlighted the needs to improve coordination and harmonization with other internal oversight functions, namely evaluation and enterprise risk management; OIGA's talent management; and contribution of internal audit results to the management of the organization. The IOAC concurs with the main findings of the external quality assessment report and encourages WFP to explore ways to improve harmonization and workplan coordination between different internal oversight functions, especially between internal audit, including performance audit, and evaluation.

45. The IOAC endorsed OIGA's workplan for 2022 targeting 34 deliverables, based on a full staff complement. The workplan consisted of 16 operational in-country audits and 18 thematic audits (including 5 information technology and data protection audits). The thematic audits will cover, among others: CBT assurance framework; CBT retailers; staff position management; budgetary applications/systems support; adaptability to shifts in funding landscape and donor obligations; food commodity management; conflict of interest PIR; human resources for emergencies; and gender and diversity.
46. Regarding investigations, the OIG's investigation work relates to allegations of misconduct and wrongdoing, related to, inter alia, alleged AFAC and reported violations of staff rules and regulations, policies and procedures including sexual exploitation and abuse, harassment, sexual harassment, abuse of authority and discrimination. These investigations are conducted by OIGI.
47. There has been a continuous increase in the intake of matters received by OIGI through its dedicated hotlines, referrals, emails and the like. Intake of cases in 2019 was 584, in 2020 was 616 and in 2021 was 778.
48. The total caseload managed by OIGI in 2021 was 1,323. Of these, 545 cases were from 2020 plus 778 of new cases. During the year 340 cases were closed after a preliminary review and 112 were closed after completing a full investigation. Consequently 871 cases were carried over to 2022.
49. In 2021, the OIGI completed 112 investigation reports, 54 of which were substantiated. The majority of the investigations were cooperating partners' issues with 81 investigations of which 48 were substantiated. Staff members were the subject of 12 investigations of which 3 were substantiated. Service contractors and vendors make up most of the other investigations.
50. Similar to 2020 over 50 percent of the OIGI cases in 2021 involved AFAC. Harassment, abuse of authority and discrimination accounted for another 13 percent. Other types of allegations represented 11 percent while sexual exploitation and abuse accounted for 10 percent.
51. Because the OIGI case volume in 2021 increased to 1,323 from 984 in 2019, it has been experiencing an increasing backlog. As at 31 December 2021, the average age of the portfolio of cases carried over to 2022 was 10 months old, from their date of receipt. The duration of investigations concluded in 2021, from receipt to their closure, was in average 11.8 months, ranging from 6.9 months for sexual exploitation and abuse (30 percent of investigations concluded), 13.2 months for fraud (55 percent of investigations concluded), to those related to harassment, abuse of authority and discrimination (6 percent) in 17.3 months.
52. OIGI still operated remotely in 2021 which invariably increases the time factor. The large growth in the caseload coupled with restrictions related to COVID-19 have increased the investigation backlog. However this has been partially alleviated with the addition of budgetary resources for staff and consultants, most of which planned for 2022.
53. The IOAC is still concerned about the increasing backlog of investigations. Given how important such investigations are to the reputation of the organization, it is essential that these be concluded at a faster pace.
54. To that end, the IOAC suggests that additional stratification be applied to the intake of investigations to identify those allegations which are of low risk and low financial value. Management could then determine an acceptable risk tolerance level. Allegations that fall under the risk tolerance level could then be submitted to management for actions instead of completing a full investigation.

55. The IOAC recognizes that there is a better staffing situation within the OIG. However, with an unprecedented number of emergencies, growth in CBTs, relative weaknesses in risk maturity, outstanding high-risk audit observations and surge in investigation cases, the committee expects that the third line of defense activities will only increase in the near future. Management should strive to improve the first line of defense to reduce the burden on the third line of defense oversight activities of evaluation and internal audit in identifying weaknesses which are recurring. In 2021, actual OIG's expenses already accounted for 47.4 percent of total OIG's expenses and exceeded those of OIGA. To this end, the IOAC strongly urges management to continue to improve the capacity of OIG; to support the improvement and effectiveness of screening and investigation processes; enhance management prevention efforts, especially with respect to work culture and AFAC; and explore ways to prioritize cases that require full-scale investigation work to ensure cost-benefit effectiveness of the organization.
56. In concluding this section, it is necessary for the IOAC to reiterate some concerns raised by the OIG. While the OIG has opined that no material weaknesses were identified in governance, risk management or control processes which 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 the OIG has observed across different geographies and activities. High-risk and medium-risk OIGA audit observations continued to cluster in the areas of CBT, beneficiary management, cooperating partners (government and non-governmental), supply chain, and governance and risk management. Workforce planning (including protracted vacancies in key positions, staff turnover, and staff capacity) was a recurrent root cause which adversely impacted field operations requiring major improvements or rated as unsatisfactory. These issues are similar to those highlighted in audits of previous years and well explained in the Inspector General's assurance opinion and OIG's annual report for 2021. 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 so that these deficiencies are rectified for the years ahead.

Independent evaluation office

57. In 2019 and 2020, the JIU issued two reports with specific recommendations to implement changes in the terms of reference of the audit and oversight committees in the United Nations system. Those recommendations read as follows:
- a. JIU/REP/2019/6 (Review of audit and oversight committees in the United Nations system), recommendation 2: "The legislative and/or governing bodies of the United Nations system organizations that have not already done so should ensure that the terms of reference or charter of the audit and oversight committees of their respective organizations are revised to reflect all the internal oversight functions that are part of the responsibilities and activities of the committee, where applicable, by the end of 2021."
 - b. JIU/REP/2019/6 (Review of audit and oversight committees in the United Nations system), recommendation 6: "The legislative and/or governing bodies of the United Nations system organizations that have not already done so should request their audit and oversight committees to undertake a self-assessment every year and an independent performance evaluation every three years and report to them on the results."

- c. JIU/REP/2020/1 (Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function), recommendation 6: "The legislative bodies of the United Nations system organizations that have not yet done so should request that organizations update the terms of reference of their respective audit and oversight committees by the end of 2021 to include, where necessary, appropriate provisions to: (a) review the independence and mandate of the internal oversight office/investigation function; (b) review its budget and staffing requirements; (c) review its overall performance; and (d) issue related recommendations."
58. The three recommendations were reviewed by the Bureau as part of its annual review of the JIU recommendations addressed to the legislative bodies and it was agreed to proceed to their implementation, as indicated in the document "[Reports by the Joint Inspection Unit relevant to the work of WFP](#)" submitted to the Board for its consideration at its 2021 first regular session.
59. Hence the revised terms of reference of the IOAC, included the following with respect to evaluation:
- "[...] evaluation: evaluation policy; evaluation strategy and charter; annual work plan and budget; quality assurance systems for the evaluation function; and external assessments. Review the effectiveness of the evaluation function and provide a forum to discuss matters raised in WFP evaluations."*
60. The IOAC has been deliberating the operationalization of this policy and its implications. In addition, in line with the spirit of the JIU recommendation that fosters harmonization across the United Nations system, the committee has also reviewed the way other United Nations entities have implemented similar provisions. The committee will continue these discussions with the Bureau.
61. Based on the inclusion of all internal oversight functions the revised title, Independent Oversight Advisory Committee, more accurately reflects its responsibilities and activities.

People policy/strategic workforce planning

62. The people policy was approved at the Executive Board annual session in June 2021 and a staffing strategy with a corresponding budget in November 2021.
63. The IOAC recognizes the importance of completing the strategic workforce planning. Three functional strategic workforce planning exercises had been completed by September 2021 and work for supply chain, security, programme and policy, human resources and evaluation was in progress. The committee will be reviewing the progress of this initiative at its July 2022 meeting.

Ethics activities and ethics culture

64. The Ethics Office is still being managed on an interim basis by a consultant. The position should be filled by the end of the second quarter of 2022.
65. The IOAC heard from the Acting Director of Ethics, who outlined progress made in the implementation of the workplan. The team completed work on conflicts of interest, the updated code of conduct, social media guidance and training on protection from sexual exploitation and abuse.
66. The office was also seeking to reach out more proactively to field offices and issue guidance more closely aligned with country needs. The committee suggested that the Ethics Office work with OIG investigations group to provide a high-level summary of the trends by regional bureau to identify training requirements.

67. The Inspector General conducted a maturity assessment of ethics and integrity in the organization in late 2020 and issued those recommendations in 2021. The advisory assignment found that the leadership group ranked at WFP was slightly above mid-level with a good foundation in place to improve. This report will assist the permanent Director of the Ethics Office in establishing a workplan for 2022 and future years.

ANNEX I

Composition of the IOAC

- 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. As approved by the Board at its 2021 first regular session, his term has been exceptionally extended for an additional year to 14 November 2022.
- Ms Agnieszka Slomka-Golebiowska: a Polish national. Her term is from 30 July 2017 to 29 July 2020 and has been extended to 29 July 2023.
- Mr Robert Samels: a Canadian national. His term is from 1 March 2019 to 28 February 2022 and has been extended to 28 February 2025.
- Mr Veerathai Santiprabhob: a Thai national. His term is from 15 November 2021 to 14 November 2024.
- Mr Darshak Shah: a Kenyan national. His term is from 15 November 2021 to 14 November 2024.

ANNEX II

IOAC ACTIVITIES JULY 2021–MARCH 2022				
	JULY 2021	SEPTEMBER 2021	DECEMBER 2021	MARCH 2022
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

AFAC	anti-fraud and anti-corruption
CBT	cash-based transfer
ERM	enterprise risk management
IOAC	Independent Oversight Advisory Committee
JIU	Joint Inspection Unit
KRI	key risk indicator
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PIR	proactive integrity review