



**World Food
Programme**

**Executive Board
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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

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ANNUAL REPORT OF THE INSPECTOR GENERAL

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

NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the focal point indicated below, preferably well in advance of the Board's meeting.

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EXECUTIVE SUMMARY

The Office of the Inspector General's annual report for the year ended 31 December 2014 provides an oversight perspective on WFP's governance, risk management and control, and an overview of the activities of the Office of the Inspector General, including the Office of Internal Audit and the Office of Inspections and Investigations.

DRAFT DECISION^{*}

The Board takes note of "Annual Report of the Inspector General" (WFP/EB.A/2015/6-F/1) and notes that the oversight work performed and reported did not disclose any significant weaknesses in the internal control, governance or risk management processes in place across WFP that would have a pervasive effect on the achievement of WFP's objectives.

The Board encourages management to take advantage of the opportunities for improvement highlighted in the report.

^{*} 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.

OVERVIEW OF THE OFFICE OF THE INSPECTOR GENERAL

Mandate and Operations

1. The Office of the Inspector General (OIG) was established by the Executive Director under Financial Regulation 12.1 and is regulated by a charter approved by the Executive Director. The charter, updated in March 2015, forms an annex to the Financial Rules and is attached as Annex V of this report.
2. OIG carries out its audit function in compliance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and its investigation function in compliance with the Uniform Principles and Guidelines for Investigations, endorsed by the Conference of International Investigators. The Inspector General also performs the function of chief audit executive.
3. OIG submits all internal audit, inspection and investigation reports to the Executive Director. Under the public disclosure policy, approved by the Board, internal audit and inspection reports are disclosed on a public website (Annex II). The Inspector General submits quarterly reports to the Executive Director and the Audit Committee, and this annual report to the Executive Board.
4. OIG expresses an opinion as to whether WFP's internal control, governance and risk management processes provide reasonable assurance that WFP's objectives will be achieved. In 2014, the oversight work performed and reported did not disclose any significant weaknesses in the internal control, governance and risk management processes in place across WFP that would have a pervasive effect on the achievement of WFP's objectives. However, some internal control, governance and risk management practices noted in individual audit engagements need improvement. Annex I provides a short version of OIG's assurance opinion for 2014.

Statement of Independence

5. OIG confirms its organizational independence. During 2014 there was no management interference in work planning or reporting, and no resourcing constraints or other issues affected the independence of oversight activities and the assurance opinion.

Assurance in WFP

6. To provide assurance on WFP's internal controls, governance and risk management processes, OIG conducts audits covering a mix of WFP units and processes, including country offices, Headquarters divisions and units, and organization-wide processes.
7. The annual audit work plan for 2014 was based on a detailed risk assessment conducted in 2013. The plan foresaw coverage of 37.16 percent of WFP's total audit-assessed risk in 2014: the audit results reported covered 36.73 percent of total risk, and gave unsatisfactory ratings for 5.69 percent.
8. OIG works with WFP management to determine the appropriate level of assurance for WFP.

Activities

9. Services provided by OIG in 2014 and prior years are summarized in Table 1. The scope of work covers all WFP systems, processes, operations and activities. The reports issued in 2014 are listed in Annexes II, III and IV.

TABLE 1: OFFICE OF THE INSPECTOR GENERAL ACTIVITIES					
Year	Internal Audit		Investigation		Inspection
	Reports issued	Advisory services	Registered cases	Completed cases (at 31 Dec. 2014)	Reports issued
2012	15	22	33	62	2
2013	19	21	46	39	1
2014	19	4*	42	36	1

* In 2014, OIG changed its approach to quantifying advisory services and now reports on advisory assurance services only when reports are issued to management. Figures therefore do not include the extensive additional advice that OIG provided during the year.

Resources

10. The budget allocated to OIG increased from approximately USD 7 million in 2013 to USD 7.35 million in 2014. Additional extra-budgetary allocations were made for specific projects, including the internal justice review. In 2014, 92 percent of the budget allocation was actually spent.

TABLE 2: OFFICE OF THE INSPECTOR GENERAL BUDGET (USD thousand)				
	2011	2012	2013	2014
Budget allocation	6 592	7 766	6 993	7 354
Actual expenditures	6 532	5 923	6 927	6 730

11. A structure and staffing review in July 2014 led to changes in post profiles in line with the objectives of OIG's strategic management plan (2014–2016). During 2014, four staff members were reassigned within WFP; four new staff members joined from outside WFP; one staff member moved to a higher position within the Office of Internal Audit (OIGA); and one position remained vacant since 2013.

TABLE 3: OFFICE OF THE INSPECTOR GENERAL STAFF NUMBERS				
	2011	2012	2013	2014
Professional	25	28	28	30
General service	8	9	8	5
TOTAL	33	37	36	35

12. In 2014, OIG established a long-term co-sourcing agreement with a private sector supplier to meet short-term specialized needs for specific expertise and to provide extra resources when required.

OVERVIEW OF ACTIVITIES OF THE OFFICE OF INTERNAL AUDIT

Internal Audit and Advisory Services

13. OIGA provides the Executive Director with independent and objective assurance and advisory services. These services are designed to improve WFP's operations and help WFP accomplish its objectives by evaluating and suggesting improvements to risk management, control and governance processes.
14. As part of OIG's process for providing assurance to the Board and the Executive Director, OIGA evaluates the effectiveness of WFP's internal control, governance and risk management processes overall and the performance of responsibilities for achieving WFP's goals and objectives. OIGA aims to provide assurance that:
 - resources are used as intended by donors and management;
 - resources are used efficiently and effectively;
 - assets are safeguarded; and
 - corporate information is accurately processed and reported.
15. OIGA provided four advisory assurance reports in 2014. It also provided advice and support to the Committee on Commodities, Transport and Insurance, and responded to requests from management for reviews of draft policies, contracts and amendments to WFP manuals and other documents.

Audit Results

16. To plan its work, OIGA uses a risk-based methodology that is continually adjusted to emerging risks. In 2014, it completed 100 percent of the audit engagements foreseen in the adjusted work plan communicated to the Executive Director and the Audit Committee.
17. Assurance work indicated a stable control environment. WFP's processes were grouped into 22 process areas covering the five components of internal control identified in WFP's corporate control framework and an additional component for information technology (IT) and systems.¹ In 2014, OIGA reported on these components in 19 internal audit reports and one inspection report (Annex II), covering activities in 19 country offices, numerous offices in Headquarters, and the Rome-based agencies. Table 4 shows the numbers of process areas audited, and the overall risk ratings for 2014 compared with 2013 and 2012.

¹ WFP's control framework is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework; the IT component is adapted from the Control Objectives for Information and Related Technology framework of the Information Systems Audit and Control Association.

TABLE 4: PROCESS AREAS AUDITED AND OVERALL RISK RATINGS, BY INTERNAL CONTROL COMPONENT, 2014					
No.	Control component	Overall rating*			No. of process area audits 2014
		2012	2013	2014	
1	Internal environment	2.2	2.1	1.8	18
2	Risk management	1.7	1.8	1.5	18
3	Control activities	2.4	2.3	2.2	18
4	Information and communication	1.9	1.4	1.3	17
5	Monitoring	2.0	2.0	2.0	17
6	Information and communication technology	1.9	1.7	2.0	17

* Low risk = 1; medium risk = 2; high risk = 3

18. Factors underlying these risk ratings are as follows:

- *Internal environment.* The risk level in this component has decreased slightly, but several areas require attention, increased support and updated guidelines.
- *Risk management.* The risk level has remained relatively stable since 2012; figures show that risk mitigation efforts are having an impact.
- *Control activities.* The overall risk rating has decreased slightly, but remains medium.
- *Information and communication.* In 2014, the risk level fell further from an already reasonably low level in 2013.
- *Monitoring.* Challenges were identified in monitoring in country offices and at the corporate level, but the risk rating remained medium. Monitoring is a major risk area for WFP.
- *Information and communications technology (ICT).* Risks in areas relating to IT remained relatively stable, and were generally considered medium. To enhance assurance and assist WFP in improving ICT governance, OIG has defined a three-year strategy for auditing ICT in 2015–2017.

19. Each audit is rated according to harmonized ratings for United Nations funds and programmes. Table 5 shows the numbers of audit reports issued under the 2014 work plan and their coverage of WFP's work.

TABLE 5: RATINGS FROM AUDIT ENGAGEMENTS, 2014			
Rating*	Assurance level	2014 work plan	Audit-assessed risk coverage** (%)
Satisfactory	Reasonable assurance can be provided	4	3
Partially satisfactory	Provision of reasonable assurance is at risk	12	27
Unsatisfactory	Reasonable assurance cannot be provided	2	6
Not rated		2	1
TOTAL		20	37

* Satisfactory = internal control, governance and risk management processes were established and functioning well. No issues were identified that would significantly affect achievement of the objectives of the audited entity. Partially satisfactory = internal control, governance and risk management processes were established and functioning, but needed improvement. One or several issues were identified that might negatively affect achievement of the objectives of the audited entity. Unsatisfactory = internal control, governance and risk management processes were either not established or not functioning well. Issues identified might seriously compromise achievement of the objectives of the audited entity.

** As percentage of WFP work plan

Identified Risk Areas

20. During 2014 OIG's attention was drawn to continuing risks in cash and voucher (C&V) business processes; challenges in the management of funding and operational budgets; and challenges in capacity development and monitoring of cooperating partners. Future audit work will focus on these areas. WFP audits and inspections are publicly disclosed and all main issues are flagged:
- i) *Cash and vouchers.* As use of C&V continues to grow in both volume and importance to WFP, increasing attention must be given to the risks associated with these new delivery modalities. Audits of C&V conducted in 2014 noted positive developments, including WFP's enhanced capacity to support C&V interventions in the field, alignment of C&V interventions with WFP's transition from food aid to food assistance, and governments' support of C&V interventions. The audit also highlighted opportunities for enhancing the control environment including by ensuring alignment among newly defined roles and responsibilities; continuing to develop staff capacity to deliver assistance through C&V; and mainstreaming rigorous feasibility, cost-efficiency and cost-effectiveness assessment into the design of all C&V projects. Improving beneficiary registration and verification processes would enable WFP to increase cost efficiency.
 - ii) *Management of funding and operational budgets.* OIG's assurance and advisory work in 2014 captured risks associated with the funding environment, including unrecorded commitments at the country level and the fragmentation of budget management among different WFP units. The Immediate Response Account faced increased demands for loans, because of greater Level 3 emergency response activity in 2014, and lower repayment rates; the account's target level has been increased from USD 70 million to USD 200 million.

- iii) *Capacity development and monitoring of cooperating partners.* WFP identified challenges with partnerships as one of the two main programmatic risks to achievement of its 2014–2017 Strategic Objectives. Throughout 2014, OIG highlighted continuing risks associated with the use of partners to implement programmes, including weaknesses in identifying and assessing partners’ capacities, monitoring and managing their performance, and developing their capacities to monitor subcontractors. WFP should fill these capacity gaps and increase supervision of partners, particularly by improving processes for country offices’ monitoring of food commodities held by partners.

Audit – Agreed Actions (Recommendations)²

21. Internal audits identify actions for overcoming weaknesses found in the audited entity’s processes. These actions are discussed and agreed with management and addressed to the audited entity’s manager or corporate director. Table 6 provides the numbers and ratings of these agreed actions from internal audit reports issued in 2014, including those reporting on 2013 fieldwork.

TABLE 6: NUMBERS AND RATINGS OF 2014 AUDIT AGREED ACTIONS		
Rating*	Definition	No. of agreed actions/recommendations
Medium-risk	Issues that significantly affect controls but may not require immediate action. The matters observed might prevent achievement of an objective of the audited entity, or result in exposure to unmitigated risk that could have an impact on achievement of the entity’s objectives.	172
High-risk	Issues that are material to the internal control system. The matters observed might prevent achievement of a corporate objective, or result in exposure to unmitigated risk that could have a high impact on achievement of corporate objectives.	20
TOTAL		192

* Low-risk issues are brought to management’s attention, but not included in the final audit reports. OIGA does not track implementation of low-risk agreed actions through the system for monitoring implementation of agreed actions.

22. In 2014, significant progress was made in implementing high- and medium-risk agreed actions from previous years. OIGA supports management by following up on implementation of agreed actions, to reduce the number of outstanding agreed actions and ensure timely risk mitigation. As of 31 December 2014, 267 high- and medium-risk agreed actions were open, of which 192 were issued during the year and 75 prior to 2014. These results show a significant reduction from 31 December 2013, when 335 agreed actions – including 25 for high-risk issues – were open from the previous four years.

² Since 2014, OIG refers to “agreed actions” rather than “recommendations” in its audit reports.

TABLE 7: STATUS OF AGREED ACTIONS			
Status	High-risk	Medium-risk	Total
Outstanding at 1 January 2014	25	310	335
Issued in 2014*	20	172	192
Total	45	482	527
Closed in 2014	22	238	260
Outstanding at 31 December 2014	23	244	267

* Figures for 2014 include agreed actions from finalized and draft audit reports.

Strengths and Good Practices

23. Strengths and good practices in WFP's internal control, governance and risk management processes were noted from audits conducted and reported in 2014:

- i) *Internal environment.* Audits noted well-defined organizational structures with clear roles and responsibilities; filling of critical vacancies through temporary assignments; use of innovative delivery modalities, such as C&V, increasing dietary diversity and empowerment of beneficiaries; development of country offices' capacity for continuous oversight; and staff's dedication in implementing WFP activities, including in areas with high security risks.
- ii) *Risk management.* WFP continues to enhance its risk management practices and systems. OIG's assessments of the adequacy of risk management systems and the "three lines of defence" against risks – business operations, corporate compliance and independent assurance – in WFP indicate an appropriate risk management environment. Emergency preparedness and response packages and field security risk management continue to improve.
- iii) *Control activities.* Despite facing a record number of Level 3 emergencies, and staffing challenges, WFP's control environment remained stable in 2014. Some country offices implemented beneficiary feedback systems, third-party monitoring and/or an enhanced system for verifying identification, which improved quality control and accountability in delivery of WFP's services. Several audits noted proactive and effective work at various levels on mobilizing resources and raising donor awareness, and on protecting the safety and security of WFP staff and assets, including through extensive security briefings.
- iv) *Information and communications.* Country offices continued to coordinate with Headquarters on delivering important messages through the press. Regular donor briefings at country offices communicated and presented major issues and highlighted funding requirements.
- v) *Monitoring.* The Corporate Monitoring Strategy (2014–2017) was finalized in 2014. Audits found cases where monitoring and evaluation toolkits and databases facilitated and tracked country office monitoring activities. Innovative monitoring practices to identify irregular activities were also noted.
- vi) *Information and communications technology.* Positive practices and initiatives included enhancement of the governance environment and establishment of three levels of access to ICT systems, segregating staff functions in line with good practice. Improvements in WFP's system for enterprise resource planning are enhancing efficiency and effectiveness.

OVERVIEW OF ACTIVITIES OF THE OFFICE OF INSPECTIONS AND INVESTIGATIONS

24. The mission of the Office of Inspections and Investigations (OIGI) is to provide independent and objective inspection and investigation services that improve WFP's functioning by safeguarding its assets and promoting an ethical work environment.

Investigations

25. An investigation is a legally based, analytical process for gathering information to determine whether misconduct or wrong-doing has occurred and, if so, the persons or entities responsible.

26. OIGI investigates reported violations of WFP rules and regulations, policies, procedures and other administrative requirements, such as fraud, corruption, theft, harassment, sexual harassment, sexual exploitation and abuse, and abuse of authority. Based on its findings, OIGI recommends administrative or disciplinary action or highlights control weaknesses. Management has exclusive responsibility for implementing OIGI's agreed actions. When an investigation results in evidence of criminal conduct, OIGI may recommend that the case be referred to the appropriate national authorities.

27. With a view to enhancing OIG's value to WFP, the 2013 annual report outlined objectives, which OIG and OIGI successfully fulfilled in 2014:

- i) *Increasing the focus on fraud and corruption, including vendor/third-party fraud.* In 2014, OIGI substantiated five cases of vendor fraud – three of which were in connection with large procurement contracts – and identified losses valued at USD 850,436, up from USD 444,349 in 2013. Even where OIGI's review did not find wrong-doing, it highlighted opportunities for improving processes, which it communicated to management through control weakness reports or management letters. The impacts and results of vendor investigations conducted by OIGI in 2014 are outlined in Table 10.
- ii) *Enhancing the legal framework and accountability in line with the rapidly changing environment.* In 2014, OIG reviewed and revised its charter and the WFP anti-fraud and anti-corruption policy. The revised charter has been approved and is attached as Annex V. The revised policy is being submitted for the Board's review at the 2015 Annual Session.
- iii) *Enhancing prevention, communication and awareness-raising, including through e-learning.* OIG and OIGI are continuing outreach and have developed a mandatory e-learning course in four languages on anti-fraud, anti-corruption and protection from sexual exploitation and sexual abuse for all WFP staff. OIGI staff provided fraud prevention training for more than 750 staff members worldwide in 2014.

Internal Justice Review

28. As highlighted in the 2013 report, a review of the disciplinary processes within the internal justice system was initiated in November 2013 by an independent panel of investigative, legal and human resource professionals appointed by the Executive Director. The panel reported its findings to the Executive Director in April 2014.

29. The panel found WFP's internal justice system to be effective and efficient in meeting its main objectives. However, it identified opportunities for improvement including:
- a) developing a comprehensive approach to ethical values through communication and training;
 - b) enhancing managers' accountability;
 - c) supporting informal processes for resolving complaints;
 - d) reducing the vulnerability of non-staff personnel;
 - e) addressing staff's reluctance to report misconduct, including by building trust;
 - f) managing expectations regarding investigations and the internal justice process, including by setting target timelines for each step of the process, eliminating duplications and improving cooperation among WFP units;
 - g) reviewing the appeals process; and
 - h) addressing and continuing to monitor staff's perceptions of the system.
30. A WFP-wide action plan is being implemented to enhance the effectiveness and efficiency of the internal justice system.

Results of Investigative Work

31. As highlighted in 2013, OIGI established a preliminary review mechanism for assessing the reliability, relevance and impact to WFP of allegations to determine whether they meet the criteria for opening an investigation. This helps to focus investigative effort on matters of high potential impact and risk to WFP, while matters that would best be addressed by management are referred to the appropriate manager. In 2014, OIGI received 146 complaints, of which 42 – 28 percent – led to investigations. This is similar to the trend in 2013, when 46 of the 186 complaints received – 24 percent – became investigations.
32. OIGI continues to reduce the time taken for investigations, striving to complete all investigations within six months. As shown in Table 8, two cases had been outstanding for more than six months at the end of 2014; both were completed in January 2015. The investigation completion rate is high: in 2014, the 36 investigations completed represented 63 percent of the investigations handled.

TABLE 8: STATUS OF INVESTIGATION CASES, 2012–2014			
	2012	2013	2014
Outstanding cases from previous period	37	8	15
Cases registered during the year	33	46	42
Total	70	54	57
Cases closed during the year	62	39	36
Outstanding cases at year end	8	15	21
• of which outstanding for more than 6 months	0	0	2

TABLE 9: CASE STATUS, BY CATEGORY, 2014							
Category	Outstanding at 1 Jan. 2014	Registered in 2014	Total	Completed		Outstanding at 31 Dec. 2014	
				Total	Substantiated		
Bribery	1	0	1	1	1	0	
Conflict of interest	0	7	7	2	1	5	
Collusion	0	1	1	0	0	1	
Food diversion/theft	1	3	4	2	0	2	
Fraud	7	13*	20	12	7	8	
	Harassment, abuse of power	3	8*	11	9*	4	2*
	Sexual harassment	1	3	4	3	1	1
Miscellaneous	1	2	3	3	2	0	
Other theft	0	3	3	2	0	1	
Physical assault	0	2	2	1	0	1	
Retaliation against whistleblower	0	2*	2	1	1*	1	
Sexual exploitation	2	1	3	2	0	1	
IT	0	1	1	1	1	0	
TOTAL*	16	46	62	39	18	23	

* Of the 42 cases registered in 2014, four involved two types of misconduct: abuse of power and conflict of interest; fraud and conflict of interest; and two cases of abuse of power and retaliation. The total registered in 2014 is therefore 46.

33. To mitigate risks that are inherent to WFP operations involving contracted parties, in 2013, OIGI increased its focus on identification and recovery of third-party/vendor fraud. Of the 22 fraud-related cases – including bribery and collusion – OIGI investigated in 2014, 13 were completed during the reporting period. Eight of these investigations substantiated the allegations: five involving fraudulent or corrupt practices by vendors, and three connected to large procurement contracts or processes. These three cases alone identified losses of USD 815,401 in 2014,³ accounting for 95 percent of the USD 850,436 total losses to fraud and corruption identified during the year.
34. OIGI advised taking legal and other action to recover the losses, recommending that the responsible vendors and/or their managers be referred to the competent national authorities. OIGI worked with WFP managers to devise a plan of action for minimizing losses and mitigating future risks based on its findings and recommendations. Agreed actions for minimizing or recovering losses included financial settlements and the replacement of non-compliant products.

³ Part of these losses were reported in the 2013 report.

TABLE 10: LOSSES IDENTIFIED, BY CASE, 2014				
Case no.	Entities involved	Nature of case	Loss amount* (USD)	Recoveries (USD)
I 34/13	Vendor in collusion with WFP staff	Fraud	171 485 ^a	0
I 38/13	Vendors	Fraud	636 826	500 000
I 41/13	Vendor in collusion with WFP staff	Fraud	7 090 ^b	0
I 43/13	WFP staff	Medical fraud	27 772	0
I 01/14	WFP staff	Fraud	42	0
I 21/14	WFP staff	Fraud	3 936	0
I 22/14	WFP staff	Medical fraud	396	0
I 25/14	WFP staff	Entitlement fraud	2 890	0
			850 436^c	500 000

*Figures have been rounded to the nearest dollar.

^a Losses of USD 276,000 were reported in the 2013 report, making a total loss of USD 447,485 identified by this investigation.

^b Losses of USD 83,000 were reported in the 2013 report, making a total loss of USD 90,090 identified by this investigation.

^c 2014 fraud loss figures (USD 850,436) as a percentage of total 2014 WFP spending (USD 5.2 billion) – 0.016 percent.

35. During the reporting period, OIGI issued 26 investigation reports: 19 on staff misconduct/wrong-doing; and seven on fraudulent and corrupt practices by vendors. Investigation reports also identified control weaknesses, with OIGI issuing one control weakness report and three management letters during the reporting period (Annex III). To address the control weaknesses identified, OIGI moved from its traditional approach of formulating recommendations, to suggesting actions and providing managers with an opportunity to comment or suggest alternatives, before agreeing on how best to address the weaknesses identified.

Inspections

36. An inspection is a proactive review of systems and processes that assists management in making more effective and efficient use of physical, financial and human resources.
37. The one inspection undertaken in 2014 was in Liberia (Annex IV). An inspection report has been issued and disclosed to the public.

ANNEX I

ASSURANCE STATEMENT

1. The mission of the Office of the Inspector General (OIG) is to provide assurance on governance, policy, risk, resources, operational and accountability issues through independent and objective oversight services; and to facilitate WFP's adoption and implementation of best United Nations and private-sector practices to enable managers to provide assurance on their work.
2. The overall opinion is intended to provide assurance regarding the existence of issues at the institutional level that significantly affect achievement of WFP's strategic and operational objectives, as distinct from issues at the individual engagement level. Issues at this level that significantly affect achievement of the objectives of the audited entity may not be, and often are not, of significance at the institutional level.
3. Reasonable assurance is not absolute assurance; in other words, while the risk-based audit work carried out aims to assess the adequacy and effectiveness of governance, risk management and control processes, significant deficiencies may nevertheless remain undetected during audits. In particular, the presence of inherent limitations in controls, such as faulty judgements, unintentional errors and circumvention by collusion and management overrides, may not be detected because of the nature of audit work.
4. WFP management is responsible for establishing and maintaining effective internal control, governance and risk management processes to ensure WFP objectives are achieved; OIG is responsible for expressing an opinion on the adequacy and effectiveness of these processes in achieving WFP's strategic and operational objectives.
5. OIG's annual work plan is intended to provide sufficient and broad coverage of WFP's main processes to enable OIG to form an assurance opinion on whether governance, risk management and internal control processes provide reasonable assurance on achieving WFP's strategic and operational objectives. OIG's annual opinion is formed on the basis of internal audit, investigation, assurance and inspection results for the year. OIG also takes into account the results of other WFP review and control groups and external assurance providers.
6. To contribute to OIG's assurance opinion, the Office of Internal Audit (OIGA) provides assurance services and engages with management on emerging risks and how these should be managed. For the purposes of informing an annual assurance opinion on governance, risk management and control processes, OIGA organizes its assurance strategy and work plan using a risk-based approach. This involves obtaining audit assurance on the processes put in place to manage risks and achieve WFP's objectives. In providing this assurance, internal audit considers the control concepts included in WFP's internal control framework, which is an adaptation of the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework and Enterprise Risk Management – Integrated Framework and Information Systems Audit and Control Association's Control Objectives for Information and Related Technology. As WFP is a decentralized global organization, obtaining cost-effective and reliable audit assurance requires a risk-assessment methodology that encompasses the processes in each field office and each Headquarters office supporting field operations. To provide the overall assurance required, OIGA rates and selects the country offices, Headquarters units and processes within each unit to be audited.

7. The Office of the Inspector General's 2014 work plan was based on the results of a risk assessment exercise carried out in 2013. This work plan foresaw coverage of 37.16 percent of WFP's total audit-assessed risk in 2014. Audit work performed in 2014 covered 36.73 percent of WFP's total audit-assessed risk and gave unsatisfactory ratings for 5.69 percent of total audit-assessed risk.

OPINION

8. The oversight work performed and reported for 2014 did not disclose any significant weaknesses in the internal control, governance and risk management processes in place across WFP that would have a pervasive effect on achievement of WFP's objectives. However, some internal control, governance and risk management practices noted in individual audit engagements need improvement.

ANNEX II

DISCLOSED REPORTS WITH RATINGS

Tables II(A) and II(B) show all oversight reports issued in 2014 and included in the 2014 assurance programme for disclosure on WFP's public website. There were no requests by management for clarification of the contents of the disclosed reports.

Table II(A) shows reports from the 2013 audit programme that were issued and disclosed in 2014. Table II(B) shows reports from the 2014 audit programme that were issued and disclosed in 2014 and early 2015.

TABLE II(A): 2013 AUDIT PROGRAMME – ISSUANCE AND DISCLOSURE OF OVERSIGHT REPORTS ON WFP WEBSITE					
	Report code	Report title	Rating	Report issuance	Public disclosure
2013 work plan – issued and disclosed in 2014					
1.	AR/14/01	Internal Audit Report of WFP Operations in the Democratic People's Republic of Korea	Partially satisfactory	January	February
2.	AR/14/02	Internal Audit Report of WFP Operations in the Niger	Partially satisfactory	January	February
3.	AR/14/03	Internal Audit Report of WFP's Internal Control Assurance Process	Satisfactory	January	February
4.	AR/14/04	Internal Audit Report of WFP Operations in the Republic of South Sudan	Partially satisfactory	February	March
5.	AR/14/05	Internal Audit Report of WFP Operations in the Republic of Mali	Unsatisfactory	February	March
6.	AR/14/06	Internal Audit Report of WFP Operations in Palestine	Satisfactory	February	March
7.	AR/14/07	Internal Audit of WFP Operations in Haiti (country office)	Unsatisfactory	March	April
8.	AR-14-09	Internal Audit of Select WFP Corporate Processes (South Sudan corporate)	Partially satisfactory	April	May
9.	AR-14-11	Internal Audit of Select WFP Corporate Processes (Haiti Corporate)	Partially satisfactory	May	June
10.	AR-14-12	Internal Audit of Select WFP Corporate Processes (Sahel corporate emergency)	Partially satisfactory	May	June

**TABLE II(B): 2014 AUDIT PROGRAMME –
ISSUANCE AND DISCLOSURE OF OVERSIGHT REPORTS ON WFP WEBSITE**

	Report code	Report title	Rating	Report issuance	Public disclosure
1.	IR-14-01	Inspection Report on WFP Operations in Liberia	Not rated	March	April
2.	AR-14-08	Internal Audit of WFP Operations in Cambodia	Satisfactory	April	April
3.	AR-14-10	Internal Audit of WFP Operations in Burundi	Unsatisfactory	May	June
4.	AR-14-13	Internal Audit of WFP's Per-Capita Funding Modality for Corporate IT Services	Satisfactory	May	July
5.	AR-14-14	Internal Audit Report of WFP's Internal Control Assurance Process 2013	Satisfactory	May	June
6.	AR-14-15	Internal Audit of WFP Operations in Kenya	Partially satisfactory	July	August
7.	AR-14-16	Internal Audit of WFP Operations in Pakistan	Partially satisfactory	August	September
8.	AR-14-17	Internal Audit of Baseline Security in WFP's Enterprise Resource Planning	Partially satisfactory	October	N/A ¹
9.	AR-14-18	Internal Audit of WFP's Forward Purchasing Facility	Satisfactory	October	November
10.	AR-14-19	Internal Audit of WFP Field Security	Partially satisfactory	October	November
11.	AR-14-20	WFP Operations in the Syrian Arab Republic and Neighbouring Countries – Internal Audit of the Recommendations from 2013	Not rated	October	November
12.	AR-14-21	Internal Audit of WFP Operations in the Democratic Republic of the Congo (DRC)	Unsatisfactory	November	December
13.	AR-14-22	Internal Audit Report of WFP Operations in the Syrian Arab Republic and Neighbouring Countries	Partially satisfactory	November	December
14.	AR-14-23	Internal Audit of WFP Operations in Somalia	Partially satisfactory	November	December
15.	AR-14-24	Internal Audit of WFP Operations in Yemen	Partially satisfactory	December	January 2015
16.	AR-14-25	Internal Audit of WFP Operations in Mali	Partially satisfactory	December	January 2015
17.	AR-15-01	Internal Audit of the Rome-based Agencies Common Procurement Process	Partially satisfactory	January 2015	February 2015
18.	AR-15-02	Internal Audit of Cash and Voucher Modalities in the Field Project Design and Set-Up	Partially satisfactory	January 2015	February 2015
19.	AR-15-03	Internal Audit of Cash and Voucher Modalities in the Field Distribution Cycle and Intervention Closure	Partially satisfactory	January 2015	February 2015
20.	AR-15-04	Internal Audit of WFP Operations in Afghanistan	Partially satisfactory	February 2015	March 2015

¹ This internal audit report was not disclosed as it may jeopardize the security and confidentiality of WFP data and systems.

ANNEX III

2014 INVESTIGATION REPORTS

Tables III(A) and III(B) show reports that permanent representatives can request under the policy for disclosure of investigation reports. Each request will be reviewed in accordance with the policy to ensure that the confidentiality, safety and security of any individual and the due process rights of individuals are respected before a report is made available to a permanent representative.

TABLE III(A): 2014 INVESTIGATION REPORTS ON WFP PERSONNEL MISCONDUCT AND WRONG-DOING			
	Report no.	Report name	Issue date
1	I 27/13	Burkina Faso – Sexual Harassment – FT	06/01/2014
2	I 44/13	Kenya – Harassment, Sexual Harassment and Abuse of Power – SC	08/01/2014
3	I 45/13	Jordan – Fraud – SC	18/02/2014
4	I 40/13	Ethiopia – Harassment – FT	19/02/2014
5	I 41/13–A	Ethiopia – Bribery and Collusion – CST/FT	20/03/2014
6	I 41/13–B	Ethiopia – Bribery and Collusion – CST/FT	20/03/2014
7	I 34/13–B	Pakistan – Fraud – FT	21/03/2014
8	I 34/13–C	Pakistan – Fraud – FT	21/03/2014
9	I 08/14–B	Ethiopia – Miscellaneous – FT	28/04/2014
10	I 05/14	Ethiopia – Harassment – SC	30/04/2014
11	I 09/14	Chad – Death Threat – FT	26/05/2014
12	I 43/13	Headquarters – Entitlement Fraud – CO	30/05/2014
13	I 08/14–A	Ethiopia – Miscellaneous – FT	10/06/2014
14	I 01/14	Ghana – Fraud – FT	02/07/2014
15	I 04/14	Pakistan – Conflict of Interest – FT	08/09/2014
16	I 13/14	Pakistan – Abuse of Power – FT	08/09/2014
17	I 46/13	DRC – Fraud – FT	30/09/2014
18	I 18/14	Pakistan – Misuse of ICT resources – FT	03/10/2014
19	I 25/14	South Africa – Entitlement Fraud – IA	21/11/2014

CST: consultant; FT: fixed-term appointment; SC: service-contract holder; CO: continuing appointment; IA: indefinite appointment

TABLE III(B): 2014 INVESTIGATION REPORTS ON VENDORS			
	Report no.	Report name	Issue date
1	I 34/13-A	Pakistan – Fraud	27/02/2014
2	I 38/13	Ethiopia – Fraud	06/03/2014
3	I 41/13-C	Ethiopia – Bribery and Collusion	06/03/2014
4	I 12/14	Jordan – Fraud	19/06/2014
5	I 08/13-A	South Sudan – Fraud	20/06/2014
6	I 08/13-B	South Sudan – Fraud	20/06/2014
7	I 38/13-A	Ethiopia – Fraud	02/07/2014

ANNEX IV**2014 INSPECTIONS**

TABLE IV: 2014 INSPECTIONS			
	Report no.	Inspection	Issue date
1	IR/01/2014	Inspection Report on WFP Operations in Liberia	22/04/2014

ANNEX V**CHARTER OF THE OFFICE OF THE INSPECTOR GENERAL****Executive Director's Circular**
(Office of the Inspector General)

Date: 24 March 2015
Circular No.: OED2015/009
Supersedes: EDD2012/002

Charter of the Office of the Inspector General**Establishment**

1. The WFP Executive Board establishes Financial Regulations to govern the management of the WFP Fund, under General Regulation XIV.5. The Office of the Inspector General is established by the Executive Director, under Financial Regulation 12.1.

Structure

2. The Office of the Inspector General (OIG) comprises two units: the Office of Internal Audit (OIGA) and the Office of Inspections and Investigations (OIGI). The Inspector General also performs the role of Chief Audit Executive.

Mission

3. The mission of OIG is to provide assurance to the Executive Director, and to conduct objective and independent oversight activities to protect the integrity and improve the efficiency and effectiveness of WFP's programmes and operations, as well as to detect and deter fraud, waste and abuse through the provision of internal audit, inspection, investigation and other advisory services; and to facilitate WFP's adoption and implementation of best United Nations and private-sector practices to enable managers to provide assurance on their work to the Executive Director.

Responsibility

4. The Inspector General will verify and report on the integrity, efficiency and effectiveness of WFP's management, administration and operations.
5. The oversight services provided by OIG include internal auditing, advisory assurance, investigations and inspections. The scope of work includes all programmes, systems, processes, operations and activities undertaken by WFP.
6. The Inspector General is responsible for issuing reports on the results of audit, investigation, and inspection work as soon as practicable after the audit, investigation, or inspection work has been completed.
7. OIG work seeks to determine whether WFP's network of internal control, governance, and risk management processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:
 - a. Risks to achieving Programme-wide objectives, results and outcomes are appropriately identified, analysed and managed, including through interaction with the various governance groups;
 - b. Significant financial, managerial, and operating information is accurate, reliable and timely;
 - c. Actions of WFP personnel are in compliance with the applicable WFP regulations, rules and administrative issuances;
 - d. WFP vendors, cooperating partners and other third parties observe applicable WFP rules and regulations;
 - e. Resources are acquired economically, used efficiently, and adequately protected;
 - f. Continuous qualitative improvements are fostered in the Programme's control processes;
 - g. Allegations of wrongdoing are assessed and investigated and efforts are made to promote an ethical working environment; and
 - h. Adequate procedures are in place to prevent, deter and detect fraud and abuses.
8. Opportunities for improving management control, cost effectiveness and the Programme's image identified through the work of OIG are communicated to the appropriate level of management.
9. In this context, OIG shall also submit reports to the Executive Director and senior management on weaknesses in controls and processes, deficiencies in regulatory frameworks or other challenges identified in the course of investigations with recommendations for addressing them and strengthening the accountability framework.

a. Internal Audit

10. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps WFP accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

11. The scope of internal auditing encompasses, but is not limited to, assessing the effectiveness, adequacy and application of internal control systems, governance and risk management processes as well as the quality of performance with respect to the achievement of WFP's stated goals and objectives. Audits are conducted based on an annual audit work plan formulated after the completion of a detailed risk assessment exercise conducted before the start of the year, and after formal approval by the Executive Director.
12. OIG has the responsibility to conduct any and all internal audits within WFP¹.

b. Advisory Assurance

13. OIG also delivers assurance through advisory activities, which contribute to increasing assurance on WFP's governance, risk management and control processes as well as operational effectiveness.
14. Advisory assurance activities are initiated by management requests or agreed jointly between management and OIG.

c. Investigations

15. The purpose of investigations is to establish facts and provide sufficient evidence and analysis to determine whether wrongdoing has occurred and, if so, the persons or entities responsible, as well as to allow WFP management to take action where warranted in light of the findings.
16. OIG is responsible for assessing and investigating allegations of misconduct, such as fraud, corruption, collusion, theft/misappropriation, sexual exploitation and abuse, workplace harassment, sexual harassment, abuse of authority, retaliation and other wrongdoing by WFP personnel.
17. OIG is also responsible for assessing and investigating allegations of fraud, corruption, collusion and other irregularities committed by vendors, cooperating partners and other third parties to the detriment of WFP.
18. As part of investigative operational procedures, OIG may undertake Proactive Integrity Reviews (PIR) which will be built from a systematic fraud risk assessment of high risk business processes or operations. The objective of a PIR is to identify fraud risks and provide appropriate risk mitigation measures at an early stage, thus complementing the traditional channel of acting only upon the receipt of complaints. PIRs will also respond to specific concerns, as referred by management or flagged by audit work or raised by external entities, which may indicate risk of fraud, corruption, collusion and other wrongdoings.
19. A PIR is designed to add value to the current control framework and increase WFP's ability to detect and deter fraud and corruption. If the findings of a PIR provide indications that fraud, corruption or other wrongdoing may have occurred, a formal investigation will be initiated.

¹ With exception to the circumstances under paragraph 36 of this policy; External Audit is governed by Chapter XIV of the Financial Regulations and the Annex to the Financial Regulations. The External Auditor is appointed by and reports to the Board to perform the audit of the accounts of WFP.

20. OIG has the responsibility to conduct any and all investigations within WFP.²

d. Inspections

21. The scope of inspections encompasses the provision of objective information to management about field offices, units in Headquarters and processes, in order to assist management in ensuring optimal use of resources and compliance with regulatory instruments and WFP Executive Board decisions, to facilitate accountability and ensure effective monitoring systems, and to recommend actions to promote effectiveness, efficiency and integrity.
22. An inspection undertaken by OIG is a review of an organizational unit, a system, process or practice perceived to be of potential risk, outside the context of its audit plan or any specific allegation.

Organization

23. The Inspector General reports and is accountable to the Executive Director without prejudice to operational independence in discharging his/her oversight duties and responsibilities.
24. The Executive Director takes all decisions regarding the appointment and removal of the Inspector General, on advice of the Audit Committee and with prior consent of the WFP Executive Board. Termination should be for just cause, as per established procedures for WFP staff, and subject to the Board's review and consent. The Inspector General's tenure will be of a four-year term, renewable once, without the possibility of further employment within WFP at the end of the term.

Authority

25. OIG, with strict accountability for confidentiality and safeguarding records and information, and subject to any applicable restrictions related to protected information, has full, free, and unrestricted access to any and all WFP records, physical properties, and personnel, which it considers to be pertinent to its work. All personnel are, within the framework of due process rights applicable to WFP personnel, required to assist OIG in carrying out its activities.
26. OIG shall also be allowed access by vendors, cooperating partners and/or other third parties entering into any contractual arrangement with WFP to the premises, records, documents and any other information relevant to their contractual relationship with WFP, which OIG considers to be pertinent to its work, subject to appropriate terms and conditions being agreed with contractual counterparts.
27. OIG has full, free, and unrestricted access to the WFP Executive Board (in a manner consistent with the Rules of Procedure of the WFP Executive Board) and the Audit Committee.

² With exception to the circumstances under paragraph 36 of this policy.

28. OIG may take or recommend measures as it deems necessary for the protection of the confidentiality of informants and witnesses, including by limiting the use of information provided by them, as compatible with due process requirements.

Professionalism

29. The Inspector General may delegate authority to OIG staff to carry out oversight work, but may not delegate the responsibility to achieve the OIG mandate.
30. The Inspector General is responsible for ensuring that policies, procedures and practices are established and applied to all OIG activities in order that OIG may operate efficiently and effectively and its services contribute to improving the Programme's operations and administration and to the achievement of its stated goals and objectives.
31. The Inspector General and OIG staff shall abide by the Standards of Conduct for the International Civil Service and the WFP Code of Conduct, and shall at all times maintain and safeguard their independence, objectivity, and professionalism in fulfilling the responsibilities assigned under this Charter.
32. Oversight activities carried out by OIG staff, including its consultants, are performed in accordance with the Institute of Internal Auditors' mandatory guidance (including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing), the Uniform Principles and Guidelines for Investigations adopted by the Conference of International Investigators, this Charter and OIG policies, practices and procedures.

Independence and objectivity

33. OIG shall exercise operational independence in the conduct of its duties. It shall remain free from any interference, including regarding the selection, scope, procedures, frequency and timing of its activities, and the communication of their results.
34. The Executive Director will ensure that OIG is provided with the necessary resources in terms of appropriate staffing, adequate funds and appropriate training to achieve its mission and maintain its independence. To ensure independence, the Inspector General has managerial responsibility and control over the human and financial resources of the Division while abiding by WFP's rules and regulations.
35. OIG will have no direct operational responsibility or authority over any of the activities reviewed.
36. Functions for which OIG has responsibility shall not be audited or inspected by OIG. Allegations of misconduct against OIG staff members will not be investigated by OIG. Any such allegations requiring an investigation will be reviewed by the Oversight Office of another UN agency or international organization appointed by the Executive Director.
37. The reviews, appraisals and advice provided by OIG do not in any way substitute or relieve management of WFP of the responsibilities assigned to them.
38. The Inspector General and OIG staff shall avoid situations of conflict of interest, or which may otherwise impair their judgment, in relation to the responsibilities assigned to them.

Responsibilities of WFP management and staff members

39. WFP managers, staff members and other personnel, within the framework of due process rights applicable to WFP personnel, must:
- a. Report incidents of fraud, corruption and other breaches of the organization's rules and regulations by WFP personnel and any of its contractors and partners;
 - b. Cooperate fully with OIG internal audits, inspections, investigations and other reviews and provide support, as required, at all levels;
 - c. Provide prompt and unrestricted access to all WFP records (paper and electronic), documents, personnel, premises and physical assets and timely responses to all queries and requests made by OIG;
 - d. Provide a response to OIG reports and recommendations in a timely manner and implement oversight recommendations, as agreed;
 - e. Seek the agreement of OIG before carrying out any activities (including securing external services to do so) that fall within the OIG mandate of internal audit, inspection and investigation;
 - f. Maintain the confidentiality of all information concerning matters under investigation or review by OIG, known by them by reason of their interactions or cooperation with OIG; if in doubt about the confidentiality of information, they shall seek advice from OIG; and
 - g. Inform OIG of known significant failures of the Programme's internal control systems, any fraud or weakness that would permit fraud, and significant issues relating to the efficient and effective use of resources.
40. Management shall implement oversight recommendations as appropriate, and shall in all cases provide timely information to OIG on the implementation status of recommendations. Should the responsible manager not agree with an oversight recommendation, OIG may escalate the matter to a senior manager, up to and including the Executive Director, and if required to the Audit Committee.
41. When the Inspector General believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the Inspector General shall discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Inspector General must report the matter to the Executive Director for resolution.

Work planning

42. At least annually, the Inspector General will submit a work plan to the Executive Director for approval after receiving comments thereon from the Audit Committee. The work plan will include a flexible internal audit work plan developed based on appropriate risk-based methodology.

Reporting and monitoring

43. The Inspector General is responsible for preparing an annual report of OIG activities, including a summary of significant oversight findings and the implementation status of recommendations, and confirmation of the organizational independence of OIG activities, and submitting this report to the WFP Executive Board in accordance with General Regulation VI.2 (b) (viii).
44. The Inspector General is responsible for expressing an annual assurance opinion on the adequacy and effectiveness of internal controls, governance and risk management processes in achieving WFP's objectives.
45. The Inspector General is responsible for preparing periodic summary reports of OIG activities including significant oversight findings and implementation status of recommendations, and submitting these reports to the Executive Director and the Audit Committee.
46. The Inspector General will submit internal audit, inspection and investigation reports to the Executive Director, and/or to appropriate senior management. The Inspector General will submit these reports to the Audit Committee, External Auditor and other parties upon their request and in line with WFP policies.
47. The Inspector General may provide Member States and other approved external parties access to oversight reports in accordance with policies on disclosure, as approved by the WFP Executive Board and implemented by the Executive Director.
48. OIG will be responsible for appropriate follow-up and reporting on oversight recommendations.

Periodic Assessment

49. The Inspector General is responsible for periodically assessing whether OIG's purpose, responsibility and authority, as defined in its Charter, continue to be adequate to accomplish its mission. The Inspector General is also responsible for communicating the results of the assessment to the Audit Committee and the Executive Director.
50. The Inspector General will execute a quality assurance and improvement programme (QAIP) and communicate periodically to the Audit Committee and the Executive Director on the programme activities, including results of ongoing internal assessments and external assessments, conducted at least every five years.

Amendments to this Circular and related Directives

51. The Inspector General is responsible for applying this Circular, reviewing it periodically and proposing changes to keep it up-to-date to the Executive Director. The Inspector General may issue any additional directives, policies or guidelines as necessary to complement this Charter and accomplish its mission.
52. This Circular, approved by the WFP Executive Director taking into consideration comments of the Audit Committee, shall form an annex to the Financial Rules and be communicated to the WFP Executive Board. Amendments to this Circular are subject to the approval of the Executive Director taking into consideration the comments of the Audit Committee.
53. This Circular supersedes ED Circular EDD2012/002.
54. This Circular is effective immediately.

Ertharin Cousin
Executive Director

ACRONYMS USED IN THE DOCUMENT

C&V	cash and vouchers
DRC	Democratic Republic of the Congo
ICT	information and communications technology
IT	information technology
L3	Level 3 (emergency)
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PIR	Proactive Integrity Review