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**Executive Board
Annual Session**

Rome, 4–8 June 2012

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

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NOTE BY THE EXECUTIVE DIRECTOR ON THE ANNUAL REPORT OF THE INSPECTOR GENERAL

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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 WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

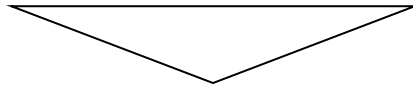
Acting, Chief Financial Officer and Officer in Charge, RM*: Mr S. O'Brien tel.: 066513-2682

Chief of Staff, and Director, Office of the Executive Director: Mr B. Parajuli tel.: 066513-2002

Should you have any questions regarding availability of documentation for the Executive Board, please contact Ms I. Carpitella, Senior Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Resource Management and Accountability Department

DRAFT DECISION*



The Board takes note of “Note by the Executive Director on the Annual Report of the WFP Inspector General” (WFP/EB.A/2012/6-E/1/Add.1).

* 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.

INTRODUCTION

1. To enhance transparency and accountability, this document presents, for the first time, the Executive Director's comments on the "Annual Report of the WFP Inspector General" (WFP/EB.A/2012/6-B/1). It presents actions taken or in progress to address the issues raised in the report, as well as any wider comments on the activities and functioning of the work of the Inspector General.
2. For ease of reference, the comments below refer to the specific paragraphs in the annual report.

Comments

Paragraph 3. Quality control review of the audit function

3. The Executive Director is pleased to note that the audit function has been subject to an external quality control review and is certified as conforming to Institute of Internal Auditors (IIA) standards at the highest level. This is a significant endorsement of the high professional standards attained by internal audit.

Paragraph 6. Absence of management interference

4. The Executive Director also notes the Inspector General's confirmation that there was no management interference in the work planning and reporting and no resource constraints or other issues affecting the independence of oversight activities and the assurance opinion.

Paragraph 7. Assurance opinion

5. The Executive Director welcomes the overall conclusion 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.

Paragraphs 8–16. Governance, risk management and control in WFP – an oversight perspective

6. The Executive Director welcomes the positive comments on the improvements achieved as part of the on-going process to strengthen managerial control and accountability across WFP (paragraphs 11 and 12). The Executive Director also supports the suggestions for strengthening governance, improving internal organization and strengthening human resource management noted in paragraphs 14–16 and provides comments below on the specific issues raised therein.

Paragraph 14. Strengthening governance

7. The Executive Director fully supports efforts to improve the effectiveness of WFP by strengthening governance through better planning, organization and coordination at different levels. The rapid organizational assessment (ROA) currently underway is intended to provide the comprehensive blueprint for future organizational change suggested by the Inspector General. The Information Technology (IT) Division has issued a range of policy and strategy documents in 2012 to address the issue raised by the Inspector General. Management will review options for country offices to adapt more systematically to the changing resource availability.

Paragraph 15. Improving internal organization

8. The Executive Director recognizes that there is an opportunity to further improve the efficiency of WFP by improving the internal organization and management function. The ROA will consider this issue and take into account the matters raised by the Inspector General.
9. Raising awareness of WFP's policies on fraud and anti-corruption is one of the key elements of the new internal control self-assessment and manager certification processes introduced in 2011 to support the new statement on internal control.

Paragraph 16. Improving human resource management

10. The Executive Director endorses the importance of effective human resource management in achieving WFP's goals, which will be a key feature of the ROA. The Executive Director places a high priority on attaining a transparent and competitive recruitment process, providing WFP with the appropriate mechanisms to flexibly hire and deploy staff in emergencies as required, and improve performance measurement.

Paragraph 38 and Table 8. Audit recommendations outstanding

11. Considerable progress has been made over the past two years in the follow-up to outstanding audit recommendations, with an initial focus on high-risk recommendations. This effort has continued in 2012 with a significant number of high-risk and medium-risk recommendations closed since the end of 2011. The Executive Director is committed to having a system to implement agreed oversight recommendations in a timely manner.

Paragraph 40. Areas for improvement observed in audits

12. The Inspector General notes five areas for improvement based on certain high-risk internal audit recommendations. Action has commenced on many of the areas identified for improvement, including the following.
 - New guidance has recently been issued on the development of IT applications.
 - As part of their joint leadership of the global food security cluster, WFP and the Food and Agriculture Organization of the United Nations (FAO) are seeking out ways to begin the design and development of recovery interventions at the onset of an event to ensure a seamless transition from relief to recovery.
 - A new policy has been established related to segregation of duties among users of the WFP Information and Network and Global System II (WINGS II) and a plan of action to address this issue comprehensively is being compiled.
 - Options for enhancing the governance over the insurance function are being examined.

Paragraph 47. Losses from cases investigated by the Inspector General

13. The Inspector General reports that the total loss to WFP from cases investigated by the Inspector General in 2011 was US\$38,951. While the amount lost in relation to investigation cases is relatively small in relation to WFP's total annual budget of over US\$3.5 billion, WFP continues to maintain a policy of zero tolerance of any fraud or corruption.

Paragraph 52. Results of investigative work

14. The Inspector general comments that often investigations are a consequence of weaknesses in performance management, at all levels, and the disconnection between operational requirements and personnel management. In this regard, a corporate exercise on workforce planning is in progress with the goal of addressing better both the current and longer-term needs of WFP in terms of the skills needed and the matching of individuals to posts.
15. The new internal control framework¹ also highlights the importance of supervision and the internal control self-assessment process and related guidance is designed to raise awareness of this need for adequate supervision by managers of inexperienced staff. Additional guidance is also being prepared for managing small offices that face increased challenges in maintaining adequate segregation of duties.

¹ The 2011 Joint Inspection Unit (JIU) report “Accountability Frameworks in the United Nations System” (JIU/REP/2011/5) commented: “WFP deserves special mention for having a strong internal control framework which covers many of the aspects of the key accountability components identified. The accompanying “Managers’ Guide to Internal Control” is also a commendable document which includes a strong emphasis on the culture of accountability and the need for managers to take the lead in setting the tone at the top.”