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

Annual report of the Inspector General

Executive summary

The Office of the Inspector General of the World Food Programme (WFP) submits its annual report for the year ended 31 December 2019 to the Executive Board.

The report provides the Office of the Inspector General's assessment, based on the scope of the work undertaken, of the effectiveness of WFP's governance, risk management and control processes in 2019. It also provides an overview of the activities carried out during the year by 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 the annual report of the Inspector General (WFP/EB.A/2020/6-D/1/Rev.1) and notes that, based on the risk-based oversight work performed and reported in 2019, no material weaknesses were identified in the governance, risk management or control processes in place across WFP that would seriously compromise the overall achievement of WFP's strategic and operational objectives.

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

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* 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.

Focal point:

Ms. P. Harvey
Inspector General
tel.: 066513 6597
email: patriciakiko.harvey@wfp.org

Assurance statement

The assurance opinion of the Office of the Inspector General for 2019 presented below is based on the Office of the Inspector General's assurance work (internal audits and follow-up reviews, advisory services and proactive integrity reviews) completed between 1 January and 31 December 2019. All assurance work was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Charter of the Office of the Inspector General.

To formulate its opinion, the Office of the Inspector General also considered, as appropriate, other sources of evidence such as work conducted in 2019 by the WFP External Auditor, the WFP Office of Evaluation and the United Nations Joint Inspection Unit, the status of implementation of internal audit agreed actions and systemic issues noted in investigations completed in 2019. The Office of the Inspector General relies in part on management to advise it of significant known failures of the internal control systems, fraudulent activities and known weakness that would allow fraudulent activities or significant losses to occur or that would substantially impede the efficient and effective use of resources. The assurance work conducted by the Office of the Inspector General is risk-based and provides, in our view, reasonable support for our assurance opinion within the inherent limitations of the assurance process.

Risk-based assurance plan: The annual assurance plan does not provide for the examination of every business process, entity or organizational unit of WFP. Instead, the assurance services are selected based on an analysis of material risks to the achievement of WFP's objectives. The assurance plan is not designed to provide a comprehensive opinion on the governance, risk management and control processes for the overall programme or all processes that support WFP's strategic, financial, operational and compliance objectives.

Inherent limitations: Because of the limitations inherent in any governance, risk management or control process, errors or irregularities may occur and not be detected. Additional matters could have been identified that might have changed opinions had additional audit work been performed. Projections of any evaluation of these processes to future periods are subject to the risk that the processes may become inadequate because of changes in conditions, management override or deterioration in the degree of compliance with policies and procedures.

2019 assurance opinion

The Office of the Inspector General's annual assurance opinion provides assurance that, based on the risk-based oversight activities performed and reported in 2019, no material weaknesses were identified in the governance, risk management or control processes in place across WFP in 2019 that would seriously compromise the overall achievement of WFP's strategic and operational objectives.

The Office of the Inspector General has nevertheless identified governance, risk management and control practices that require improvement. Steps to achieve such improvement include the prioritization of actions to resolve control deficiencies and implement control improvements; reconsideration of the impact of decentralized decision making and accountability on internal controls at the field level; clarification of accountability and performance monitoring at the leadership group level and beyond; improvement in the agility of human resource processes and workforce planning; and enhancement of organizational oversight over programme implementation by government and NGO partners.[1] Enhanced oversight also applies to risk management in respect of vendors and inspection companies in the area of food quality and safety. Details of key issues identified during 2019 are discussed in paragraphs 21–38. It is the opinion of the Office of the Inspector General that the flaws in the practices requiring improvement are not so significant that they would seriously compromise WFP's achievement of its overall objectives.

Kiko Harvey, Inspector General

March 2020

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[1] NGO partners, also referred to as cooperating partners, are non-governmental organizations contracted by WFP to perform services in support of WFP's mission.

Overview of the Office of the Inspector General

Mandate and operations

1. The Office of the Inspector General (OIG) operates under a charter that was revised and approved by the Executive Board in November 2019.

2. OIG comprises two units: the Office of Internal Audit (OIGA) and the Office of Inspections and Investigations (OIGI). OIGA carries out internal audit activities, which comply with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and with OIGA internal audit policies, standards and guidelines. OIGI conducts investigation and inspection activities, which conform to the Uniform Principles and Guidelines for Investigations endorsed by the Conference of International Investigators and its own investigative policies, standards and guidelines.

3. OIG submits all its reports to the Executive Director. A public disclosure policy approved by the Executive Board requires the disclosure of internal audit and inspection reports on a public website, with some exceptions. Reports not publicly disclosed are distributed in accordance with policies approved by the Executive Board.

Statement of independence

4. The Office of the Inspector General hereby confirms to the Executive Board its organizational independence. There was no management interference in work planning or reporting, and no resourcing constraints or other issues affected the independence of oversight activities or the assurance opinion presented above.

Activities in 2019

5. The services provided by OIG in 2019 and prior years are summarized in table 1. The audit universe used to develop the annual assurance plan covers all WFP systems, processes, operations and activities; however, the assurance opinion is limited to the work performed by OIG during the year.

TABLE 1: OIG ACTIVITIES, 2017–2019[a]						
Year	OIGA[a]			OIGI		
	Internal audit		Proactive integrity reviews	Investigations		Inspections[b]
	Audit reports issued	Advisory services[c]	Completed reports	Registered cases	Completed cases	Issued reports
2017	18	5	4	55	40	0
2018	20	2	5	100	53	3
2019	22	3	1	174	80	0

[a] While all internal audit work was completed in 2019, reports on activities started towards the end of the year may be issued in 2020.

[b] Inspection reports are listed in the year they were completed and considered for the annual assurance opinion rather than the year in which they were issued. Two of the reports listed under 2018 were issued in 2019, prior to the completion of the 2018 assurance opinion. One inspection report completed in 2019 will be issued in 2020 and was not considered for the 2019 annual assurance opinion.

[c] In 2019, other advisory deliverables included memorandums to management covering the WFP assurance statement and statement on internal control process (for consideration by the Audit Committee and the Enterprise Risk Management Division), an information note on partner risk management in Iraq (for consideration by the country office and the NGO Partnerships Unit) and reporting on a due diligence review of governance at the headquarters of a cooperating partner (for consideration by the NGO Partnerships Unit) and contract-related services of an NGO partner in Iraq (for consideration by the country office and the NGO Partnerships Unit). These four deliverables are included in the total count of completed projects contributing to the 2019 assurance opinion.

Resources

6. The budget allocated to OIG was increased from USD 9.3 million in 2018 to USD 11.3 million in 2019 to support assurance with regard to increased WFP funding and to supplement investigative resources to address a steady increase in hotline complaint reporting. Spending shortfalls are attributable to the time lag between the allocation of approved staffing and the start of new personnel.

TABLE 2: OIG BUDGET *(USD thousands)*		
	2018	**2019**[a]
Budget allocation	9 281	11 333
Actual expenditures	8 469	10 391

[a] Includes an additional allocation of USD 300,000 for Yemen investigations, of which USD 297,971 was spent.

7. The number of budgeted staff positions increased from 40 in 2018 to 46 in 2019; however, as the volume and backlog of reported complaints continued to grow, supplemental funding was approved for six additional investigators (see table 3). At year-end, five of the planned professional staff positions were vacant and all six of the ex-budgetary positions were open and the subject of recruitment. Consultants occupied the open positions while recruitment was under way.

TABLE 3: NUMBER OF BUDGETED OIG STAFF		
	2018	**2019**
Professional	35	40
General service	5	6
Initial budget	**40**	**46**
Additional investigators	0	6
Final budget	**40**	**52**

8. The team of 41 professionals at the end of 2019 is gender-balanced (49 percent are women) and diverse (comprising 21 different nationalities). All professional staff in position have relevant certifications, such as certified internal auditor, certified public accountant or chartered accountant, and other specific certifications (certified fraud examiner, certified information systems auditor, certification in cybersecurity audit, certification in control self-assessment and certification in risk management assurance). The typical profile of an OIGA auditor includes prior experience at an international auditing firm, often with additional experience with a United Nations agency or humanitarian organization. The typical profile of an OIGI investigator includes a law enforcement, investigatory, or legal background, with some investigators also having accounting or auditing certifications and experience.

9. In view of WFP's growth, the increase in internal audit resources was aimed at increasing OIGA resources to 0.15 percent of WFP's expenditures, which is below the resource allocations of other United Nations funds and programmes but above the office's historical funding level.

10. OIGI has seen the time required to complete investigations extend beyond the internal goal of completing investigations within a six-month period. This was due to a sharp increase in the number of complaints received, difficulty in hiring investigators quickly and an increase in the complexity of cases. Given the steady increase in the number of formal complaints received, OIGI is continuously monitoring its staffing needs.

Overview of activities of the Office of Internal Audit

### Internal audit and advisory services

11. As part of the OIG process for providing assurance to the Executive Director and stakeholders, OIGA examines and evaluates the adequacy and effectiveness of WFP's governance, risk management and control processes overall and the performance of WFP's units in delivering on their assigned responsibilities. This assurance work is provided through the performance of internal audits and consulting in the form of advisory services.

12. OIGA also performs proactive integrity reviews (PIRs), which are structured examinations performed to identify and test preventive and detective anti-fraud controls designed to limit fraud risk exposure. Building on the analytical capacity of OIGA, PIRs provide assurance to management on the effectiveness of fraud prevention and detection controls, complementing OIGI investigative work in addressing the root causes of fraud and corruption.

Results of the risk-based assurance plan

13. OIGA assurance activities follow an annual risk-based assurance plan approved by the Executive Director after consultation with senior management and review by the Audit Committee. A risk assessment of WFP's risk universe determines the priorities of the internal audit activity, consistent with the organization's goals. It links to the organization's key processes and critical risks, assessing probability and impact for the risks and auditable entities identified and selecting the locations, systems and processes to be audited. It also maps other third line of defense activities to ensure coordination and complementarity without overlap.

14. The OIGA annual assurance plan for 2019 was designed to focus on the most significant risks in the audit risk universe. Altogether, 30 activities were completed, of which 22 were internal audits. Further assurance was provided through advisory services and memorandums to management on corporate resource allocation, data protection and privacy, the annual sub-certification process related to the assurance statement and statement on internal control, accountability to affected populations, a review of inter-agency partner risk arrangements, a review of the activities of an NGO partner and a due diligence review of governance at the headquarters of a cooperating partner. A PIR related to payroll in the field and the PASport payroll processing system was also completed. Annex i lists the reports produced by OIGA in 2019.

15. In 2019, the field coverage of OIGA comprised a mix of emergency and non-emergency operations (in Chad, Ethiopia, Honduras, Libya, the Niger, Pakistan, Peru, the Sudan, Uganda, Yemen, the Djibouti corridor and the Sahel). This allowed OIGA to identify challenges specific to each operation's context and environment, as well as cross-cutting issues common to the operations audited.

16. The assurance plan also covered some of WFP's core activities (beneficiary targeting, nutrition, mobile-based transfer activities in West and Central Africa and food safety and quality) and management functions such as performance management and appraisal, corporate resource allocation and "tone-at-the-top" and leadership arrangements.
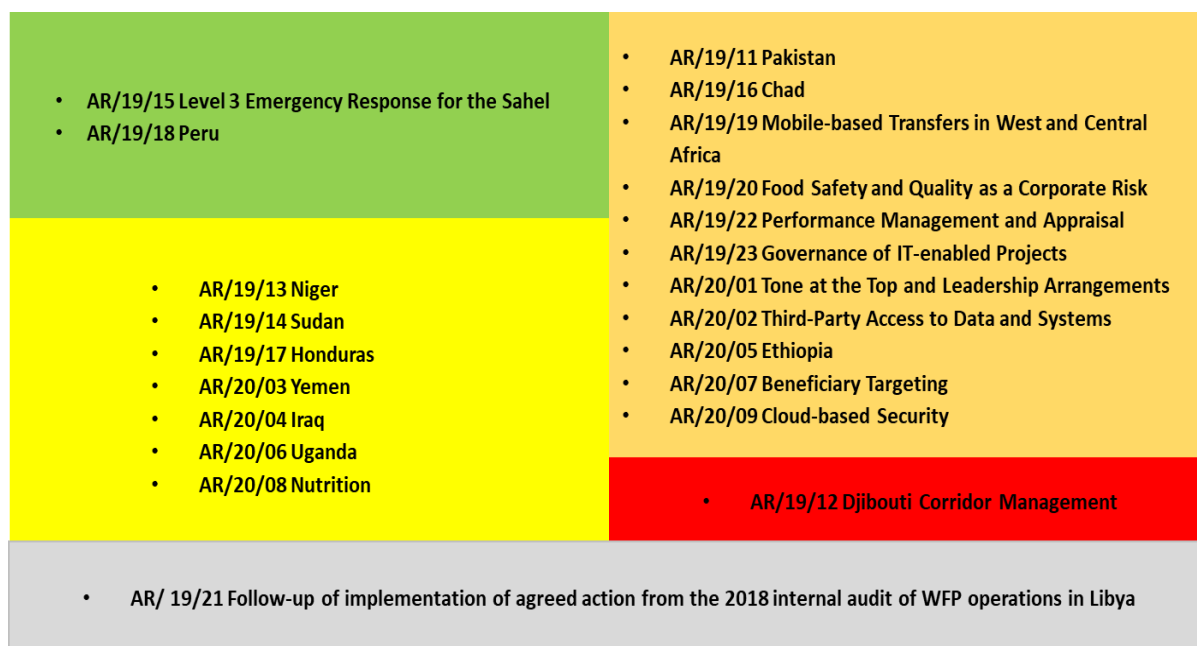
17.   OIGA continued to review how corporate systems and technology are embedded and support WFP's processes, with audits of the governance of information technology (IT) enabled projects, third-party access to WFP's data and systems and cloud computing, as well as an advisory assignment focused on data protection and privacy.

18.   Altogether, operations within the scope of the assurance plan represent 37 percent of the organization's expenditure in 2019. This relatively lower percentage coverage compared with prior years' results from several assignments on corporate processes not directly related to specific cost centres or expenses, such as the tone-at-the-top and leadership arrangements audit and the performance management and appraisal audit.

19.   The OIGA audit rating system is a four-tier system that has been in place since November 2017. Its ratings align with the ratings used by other United Nations entities. OIGA completed and/or issued 21 rated internal audit reports in 2019 and one unrated follow-up report (see annex I, table 1.a).

**Figure 1: Distribution of oversight reports and ratings from 2017 to 2019**
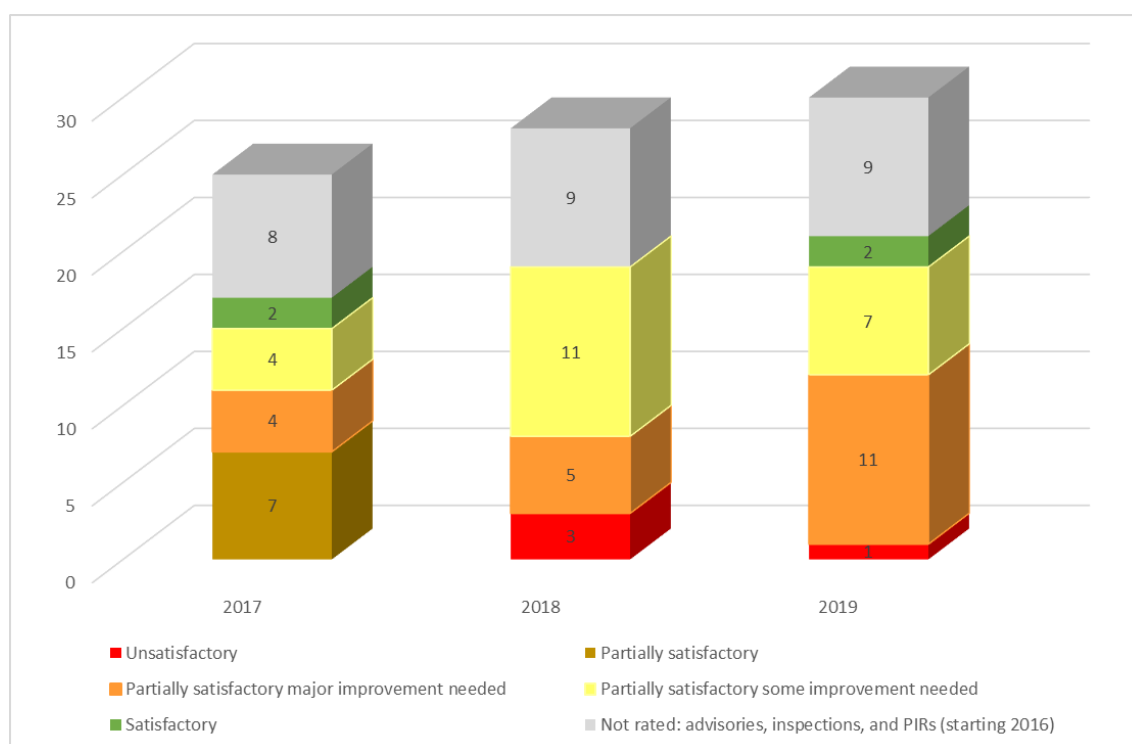
Note: The four-tier rating system was introduced in November 2017. Out of 15 partially satisfactory reports in 2017, 8 applied the four-tier rating (4 with some improvement required and 4 with major improvement required).

Figure 2: Detailed distribution of audit report ratings in 2019

- AR/19/15 Level 3 Emergency Response for the Sahel
- AR/19/18 Peru

- AR/19/11 Pakistan
- AR/19/16 Chad
- AR/19/19 Mobile-based Transfers in West and Central Africa
- AR/19/20 Food Safety and Quality as a Corporate Risk
- AR/19/22 Performance Management and Appraisal
- AR/19/23 Governance of IT-enabled Projects
- AR/20/01 Tone at the Top and Leadership Arrangements
- AR/20/02 Third-Party Access to Data and Systems
- AR/20/05 Ethiopia
- AR/20/07 Beneficiary Targeting
- AR/20/09 Cloud-based Security

- AR/19/13 Niger
- AR/19/14 Sudan
- AR/19/17 Honduras
- AR/20/03 Yemen
- AR/20/04 Iraq
- AR/20/06 Uganda
- AR/20/08 Nutrition

- AR/19/12 Djibouti Corridor Management

- AR/ 19/21 Follow-up of implementation of agreed action from the 2018 internal audit of WFP operations in Libya

20.   In general, core competencies in the field are sufficient to permit WFP to deliver on its objectives and mandate effectively. WFP's workforce has a strong understanding of the organization's mission and is dedicated to contributing to achieving it. WFP has adequate policies and procedures, although they require improvement. The unsatisfactory rating for the Djibouti corridor management audit report relates to an operation representing a very small portion of the WFP audit universe.

Figure 3: Materiality of audited entities and rating (based on *USD* annual expenses)
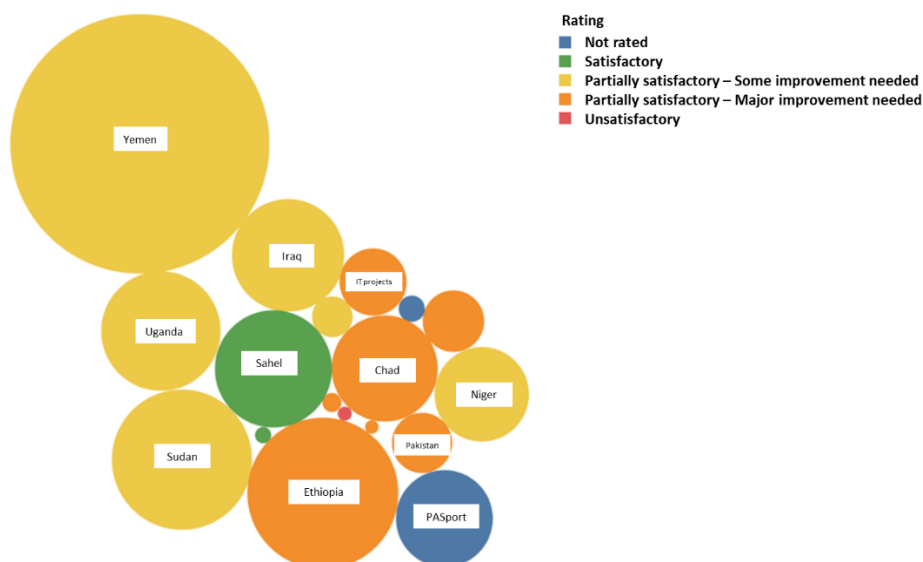
Key issues identified in 2019

21. Recurrent issues from past years were noted in 2019, including some that OIGA considers critical for management to address before they have a significant impact on WFP's mission delivery and effectiveness. There was an increase in the number of audits that revealed a need for major improvement, with a growing number of high priority recommendations that the organization has not yet effectively addressed or resolved.

22. A significant challenge at WFP in 2019 was the prioritization of efforts to guide the implementation of control improvements identified through internal audits and the impact that those deficiencies had on field operations.

23. The work of OIGA in 2019 showed that WFP has not been effective in managing its priorities, allocating the necessary resources to those priorities and amending or correcting, if not fully resolving, the identified issues. This is visible in the work OIGA completed on the corporate resource allocation process, governance of IT-enabled projects, mobile-based transfers in West and Central Africa and data protection and privacy. Similar concerns were raised in 2018 in connection with beneficiary management and WFP's digital beneficiary and transfer management platform (SCOPE), which indicates an ongoing issue that should be addressed. Initiatives and policies appear to be fragmented, without effective processes for filtering and arbitrating among them and assessing, addressing and resolving issues. The tone-at-the-top audit points to the need for leadership to better define how strategic initiatives are achieved and measured; it revealed that clear roles and responsibilities were not defined for key leadership positions and performance objectives were not clearly set. Organizational discipline and a change of mindset will ensure that priorities are identified and followed through and accountability is maintained, to ensure that the individuals entrusted with the highest levels of responsibility and organizational trust adhere to the policies, rules and guidelines applicable to all. As the number of issues awaiting resolution increase, WFP's capacity is being stretched. If not addressed, this could have a downstream effect on the organization's effectiveness in achieving its mission.

24. This is also visible in country offices, where a significant share of the work is transactional and priorities are often headquarters-driven, without visible outcomes or clear benefits to field operations. Work performed by OIG on field sub-certification with regard to internal controls pointed to a perfunctory, compliance-oriented process that failed to identify control weaknesses, provide accurate representations or add value. The PIR on payroll in country offices and the PASport payroll processing system revealed that field payroll had been manually processed for years, exposing the organization to potential fraud risks and errors and constituting a very certain waste of resources. Various adjustments to the Integrated Road Map, for example for budget and expense tracking or service provision (Sahel emergency, Ethiopia and nutrition activity audits), are also required to ensure that processes support operational delivery effectively.

25. The agility of human resource processes and appropriate workforce planning and selection is a recurrent concern. Although our 2018 assurance opinion identified capacity and resourcing as areas needing attention, issues calling for a proactive and forward-looking approach to workforce planning remain in many of the country offices audited in 2019. Some internal audits point to weaknesses in the assignment, reassignment and continuity of country directors and other members of management and the length and varying results of realignment or restructuring processes for equipping offices with the necessary capacity and skills. Talent and performance management at the individual level is not anchored in the organization's objectives, nor are the objectives set for management clearly articulated.

26. Despite the strong participation and completion levels achieved in the performance appraisal process, performance management requires reinforcement to increase its use and usefulness in decision making (promotion and reassignment) and to create a true performance mindset. Clarity is lacking on the skills and competencies required to perform and achieve progress in the various grades and positions in the organization.

27. The tone-at-the-top audit also highlighted a need for further accountability and performance management at the leadership group level. In 2020 and beyond, OIGA will carry its tone-at-the-top approach over to its in-country audits, strengthening them by adding an assessment of management tone and discretionary authority. The absence of clearly defined accountability and performance monitoring processes for the use of resources was also noted in the work on corporate resource allocations, including at headquarters, where divisional performance is not clearly tracked.

28. As already identified in 2018, country offices, especially small and medium-sized ones, are spread thin across large and complex portfolios at the project level, corporate initiatives and country strategic plans (CSPs) that country offices cannot always achieve. Navigating an ever-growing expectation of responsiveness to headquarters policies and initiatives and increasing reminders of their fiduciary responsibilities, country offices face capacity constraints, with limited direction from headquarters on required or desired controls and a lack of corporate risk tolerance thresholds.

29. There is over-customization of core tasks at the country level, with systems and processes being freely adapted to contexts perceived as unique, leading to a sense that the application of controls is optional. OIG continues to encourage the development of essential and expected controls defined at the corporate level and enforced either centrally or through automation, to reduce the organization's risk exposure and clearly set the appetite for risk. Weak operational assessments and analysis continue to exist, and current processes still do not guide the prioritization of the organization's policies and procedures. Some field capacity is invested in addressing existing but outdated requirements or attending to ineffective systems and processes. In several audits (Ethiopia, Honduras, Pakistan and Yemen operations and nutrition and beneficiary targeting activities), problems relating to the effectiveness of monitoring activities were noted, especially with regard to the planning and resourcing of these activities to ensure adequate coverage and evidence.

30. As WFP makes progress in the roll-out and implementation of CSPs, audits highlight concerns regarding WFP's oversight of implementation by government partners (as noted in the audits of the Ethiopia, Honduras, Pakistan and Yemen operations and nutrition activities). This is in part due to insufficient corporate-level guidance or guidance that has not yet been developed.

31. Similarly, as highlighted by OIGA work in 2016 and 2018, NGO management continues to require attention, as controls are still not providing the necessary assurance. WFP's significant use of NGO partners to deliver assistance, as well as their role in enrolling beneficiaries, requires strong reliance on controls performed by cooperating partners and ongoing visibility of the delivery of assistance provided through such partners, including last-mile deliveries and cash-based transfers (CBTs). The audit on nutrition activities also raised concerns regarding the tools used for nutrition interventions through cooperating partners.

32. Identified as a top risk in WFP's corporate risk register, food quality and safety was selected as an area of audit emphasis. Tests performed during the audit in this area, as well as incidents in recent years and a product substitution fraud identified through investigation, indicate that this risk should be actively addressed. Counterparty risk management, quality and safety inspection process oversight and under-fortification are areas requiring immediate attention, as noted in the audits of the Uganda and Yemen operations and the food safety and quality audit, which also drew on food incident logs, audits and investigations. The controls and investment required to maintain food quality have lagged, which has led to a situation where quality defects are often not identified before food is distributed. The organization is now shifting its emphasis from quality control to quality assurance upstream, with a new funding model established in late 2019.

33.   Significant work was done by OIGA in the area of mobile money, a delivery mechanism that is still limited in practice, although new contractual arrangements indicate an increase in, and planned future development of, mobile-based transfers. Overall, decision making is decentralized, with country directors having expansive authority to sign off on risks and determine whether controls are established through set-up design (at times making choices counter to the advice of regional bureau or headquarters experts), leading to inadequate mobile transfer contracts and/or processes or unsustainable operations too complex for the expertise available at the country level (as noted in the audits of the Chad, Iraq, the Niger, Uganda and Yemen operations). This in turn has exposed the organization to a high level of fraud risks where gaps in the processes remain unidentified prior to audit.

34.   The decentralized decision making model is also a subject of concern in the area of IT. The review of the governance of IT-enabled projects points to decentralization as a cause for fragmented IT projects, which are not always prioritized or aligned with the organization's IT vision and strategic priorities. OIG also identified incomplete and inaccurate identification of the information resources required to support key IT projects, as well as initiatives lacking full visibility or monitoring of costs and spending on IT investments or clear linkages to responsibility and accountability on the part of field offices and IT support. This was noted on several occasions in relation to SCOPE, with the adoption of flexible implementation of SCOPE controls and functionalities and a lack of clear roll-out strategy impairing efforts to strengthen beneficiary management. It is unclear to OIGA whether, in the absence of a solid enterprise architecture, visibility and prioritization processes, efforts in the digital transformation and simplification approach are indeed focused on what matters most from an organizational delivery, efficiency and control perspective.

35.   In the area of data protection and privacy, various gaps in the organization's policies and guidance resulted in a weak data protection and privacy posture and a higher risk that WFP's data sets will be misused or not used. Attention focused on resolving these gaps is required at the senior management level. This is more important as WFP develops its value proposition for mechanisms such as SCOPE, which rely on strong data security. The WFP Guide to Personal Data Protection and Privacy was ahead of general practices when it was published in June 2016. However, OIG found that WFP's posture on data protection and privacy is falling behind current trends and other organizations' practices across all data sets, and not solely in terms of beneficiaries' personal identity information. The recruitment of a data protection officer, an action already agreed on in November 2017, is still in progress in March 2020, casting doubt on WFP's sense of urgency on data protection and privacy. Much of observation 5 in the 2017 report on the internal audit of beneficiary management remains applicable in 2019.

36.   The internal audit of cloud computing at WFP confirmed the risk of such arrangements in relation to data privacy (a risk also highlighted by the Joint Inspection Unit in its report on managing cloud computing services in the United Nations system[2]), also highlighting the need for greater scrutiny when contemplating cloud services and preparing and monitoring contracts and service-level agreements.

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[2] https://www.unjiu.org/sites/www.unjiu.org/files/jiu_rep_2019_5_final.pdf.

37. Similarly, beneficiary registration gaps highlighted in 2017 are again identified in the audit report on beneficiary targeting at WFP. Country offices typically relied heavily on local partners and other key stakeholders for beneficiary targeting and registration activities, inheriting their level of assurance and their risks associated with those processes. The SCOPE roll-out is limited, and many countries still rely on non-secure sources for their beneficiary data and lists. In countries where SCOPE is being rolled out, data quality and process inefficiencies are coming to light as well. There were limited structures in place to support adequate oversight of beneficiary targeting in country offices (including verification and reporting mechanisms). Overall, OIG found that the review, management and monitoring functions meant to ensure that controls over targeting activities were properly designed, in place and operating as intended were weak.

38. OIGA introduced systematic reporting on the gender maturity of audited operations in 2019. The results show a diverse outlook, strongly influenced by local context. However, awareness and progress are visible throughout the organization.

Audit agreed actions

39. Starting in July 2019 the Executive Director increased the organization's focus on, scrutiny of and accountability for the follow-up of agreed actions, leading to the closure of a sizeable number of actions in a short time, as well as further interaction with OIGA to identify alternative mitigating measures when initial actions proved difficult or took longer to implement than initially anticipated.

40. Management's continued attention to addressing these matters is required. Despite increased focus, the implementation and closure of actions has been waning. Sustained efforts are required to close issues effectively and reduce the overall number of outstanding issues.

41. The number of actions recommended and agreed to by management increased from 147 in 2018 to 203 in 2019. Overdue actions are on average 190 days over management's timeline estimates for implementation. Actions directed at headquarters and closed in the last three months took on average 236 more days than expected to implement. In country offices, the average difference between expected and actual implementation was 150 days.

TABLE 4: COMPARATIVE STATUS OF AUDIT AGREED ACTIONS						
	High risk[a]		Medium risk[b]		Total	
	2018	2019	2018	2019	2018	2019
Open at beginning of year	34	44	168	134	202	178
Added during the year	32	85	115	118	147	203
Total	**66**	**129**	**283**	**252**	**349**	**381**
Closed during the year	22	50	149	123	171	173
Outstanding at year-end	**44**	**79**	**134**	**129**	**178**	**208**
Overdue (beyond agreed implementation date)	16	38	64	76	80	111

[a] High risk: Issues or areas relating to important matters that are material to the internal control system. The matters observed might be the cause of non-achievement of a corporate objective or result in exposure to unmitigated risk that could highly impact corporate objectives.

[b] Medium risk: Issues related to matters that significantly affect controls but may not require immediate action. The matters observed might prevent the achievement of an objective of the audited entity or result in exposure to unmitigated risk that could have an impact on the achievement of the entity's objectives.

Figure 4: Number of outstanding agreed actions at year-end
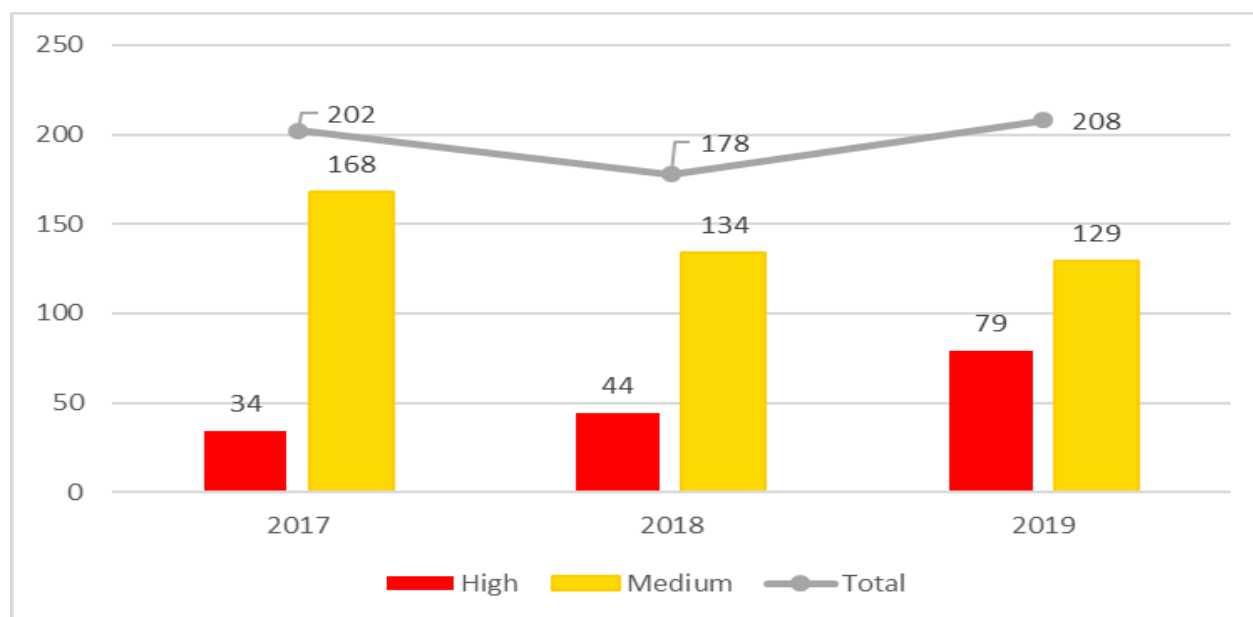
42. Some of the longest-outstanding actions relate to WFP's procurement of goods and services, audited in 2016. The lack of a defined approach to private partnership and in-kind donations was evident again in the audit of third party access to WFP's data and systems. Concerns arise when private partnerships, agreements with third parties or provision of in-kind/pro bono services result in circumstances that could favour subsequent commercial contracts and create possible conflicts of interest and unclear competition. Other outstanding and still relevant observations related to optimal staffing levels and resourcing and performance measurement and monitoring in the Supply Chain Operations Division. The need for stronger management of counterparty risk was noted in both audit activities (in the areas of IT, CBTs, procurement and NGOs) and investigation activities (when reviewing conflicts of interest or vendor fraud). Data strategy and enterprise architecture recommendations that were agreed with management following audits in May 2017 and January 2018, respectively, are still not in place to guide WFP's digital transformation and simplification efforts.

43. OIGA will continue to work with management and the WFP business units on the follow-up of agreed actions to ensure appropriate and timely mitigation of the issues identified.

Overview of activities of the Office of Inspections and Investigations
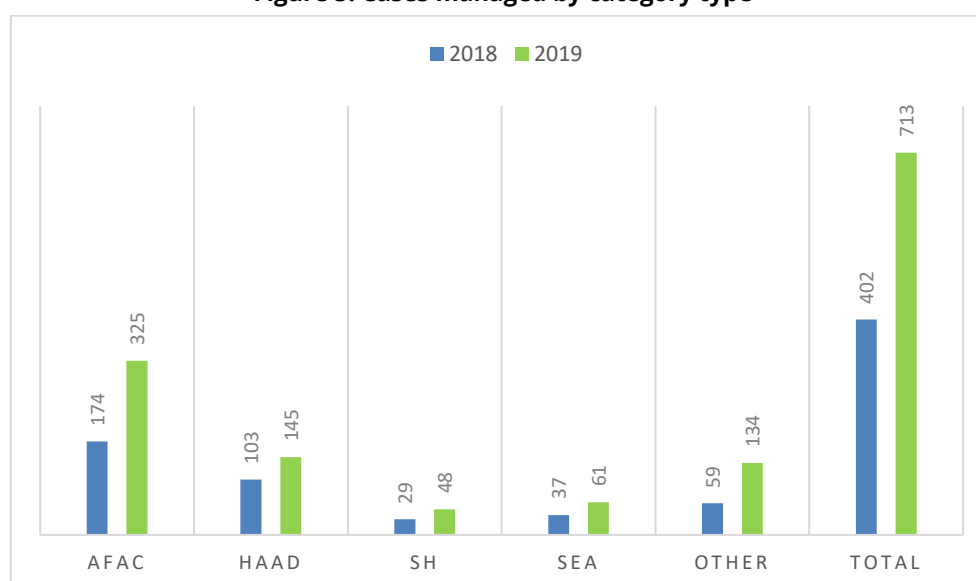
Investigation services

44. OIGI conducts investigations into allegations of misconduct, including alleged fraud and corruption against WFP and its programmes. Investigations also involve reported violations of policies, procedures and other administrative issuances. OIGI investigations cover all types of misconduct involving WFP personnel referred to OIGI by the Ethics Office, including violations of the anti-fraud and anti-corruption policy; sexual exploitation and abuse; sexual harassment; harassment, abuse of authority and discrimination; and whistle-blower retaliation.

45. OIGI also conducts investigations of external parties, including vendors and cooperating partners, on allegations of fraud and corruption, which may also include allegations of sexual exploitation and abuse of WFP beneficiaries made against cooperating partner staff.

46.   OIGI supports WFP's commitment to promoting a working environment that is ethical, safe and free of abuse while maintaining a zero tolerance policy for fraud, corruption, retaliation, sexual exploitation and abuse, sexual harassment and other forms of abusive conduct. Applying a zero tolerance approach in these areas includes a commitment by OIGI to evaluate allegations of violations of WFP policies and investigate claims when warranted and a commitment by management that appropriate action will be taken when investigations substantiate wrongdoing. OIGI investigation reports on substantiated allegations for 2019 are listed in table 2.a in annex II.

TABLE 5: COMPARATIVE CASE MANAGEMENT ACTIVITY			
	2017	**2018**	**2019**
Number of complaints received by OIG in the current year	186	368	584
Outstanding investigations carried over from the prior year	10	25	47
Complaints from the prior year, carried over to the current year	5	9	82
Total case volume managed by OIGI during the year	**201**	**402**	**713**
Referrals to other agencies, departments and partners	(22)	(68)	(61)
Closed complaints not leading to formal investigations, including duplicates	(105)	(152)	(204)
Complaints remaining in intake at the end of the year	(9)	(82)	(274)^a
Total investigations worked on during the year	**65**	**100**	**174**
Distribution of investigations opened			
Investigations related to current year claims	50	66	120
Investigations related to prior year claims	15	34	54
Investigations in process at the end of the year	(25)	(47)	(94)
Investigations completed in the current year	**40**	**53**	**80**

[a] Complaints remaining in intake include those that have been preliminarily assessed and referred to external investigative bodies and are awaiting completion of an investigation and those awaiting additional evidence to enable OIGI to proceed to investigation. Such cases are put on hold pending the resolution of these actions. In 2019, 46 of the 274 cases remaining in intake were on hold.

Figure 5: Cases managed by category type

Abbreviations: AFAC = anti-fraud and anti-corruption; HAAD = harassment, abuse of authority and discrimination; SEA = sexual exploitation and abuse; SH = sexual harassment.

Fraud investigations

47.   Fraud investigations continue to concentrate on fraud committed by WFP personnel, cooperating partners and vendors. Fraud-related investigations involving vendors generated the largest substantiated losses for WFP in 2019. Losses are considered substantiated when they are supported by evidence gathered during an investigation. Substantiated losses reflect completed investigations and therefore may not reflect the organization's total losses attributable to fraud. WFP recovered USD 7,148,121 in substantiated losses in 2019.

48.   Presumptive losses represent estimates reported in a complaint or discovered through investigative work as it progresses but for which an investigation has not yet been completed. Information on presumptive losses is provided in table 6 for information purposes and may change.

TABLE 6: 2019 SUBSTANTIATED AND PRESUMPTIVE FRAUD INVESTIGATED BY OIG				
Fraud cases by type	**Losses – substantiated**		**Losses – presumptive (estimated)**	
	USD	Percentage	*USD*	Percentage
Fraudulent activities – WFP personnel	20 454	< 1	174 840	8
Fraudulent activities – vendors	7 307 561	96	30 000	1
Fraudulent activities – cooperating partners and NGOs	264 149	3	83 135	4
Food/CBT theft or diversion – WFP personnel	0	-	22 550	< 1
Food/CBT theft or diversion – vendors	0	-	1 851 940	81
Food/CBT theft or diversion – cooperating partners and NGOs	11 982	< 1	127 674	6
Total	**7 604 146**	**100**	**2 290 139**	**100**

49.   In 2019 OIGI completed 52 investigations of allegations of fraud or conflicts of interest involving fraud, of which OIGI substantiated 27, including 15 involving WFP personnel. If WFP personnel are found to have violated WFP policies, including the Anti-Fraud and Anti-Corruption Policy, the related investigation reports are provided to Human Resources and management for disciplinary action up to and including termination of employment.

50.   When allegations of fraud implicate the employees of WFP vendors, cooperating partners or NGOs, the cases are referred to the investigative units of those entities and are tracked by OIGI until their investigation is complete. Under certain conditions OIGI may complete an investigation if external parties do not have the capacity to perform the necessary work.

51.   If a WFP vendor, cooperating partners or NGO is alleged to have committed fraud against WFP, OIGI conducts the investigation, with substantiated reports referred to the WFP Vendor Sanctions Committee for sanctions proceedings, as appropriate. These sanctions range in severity, with the most severe including permanent disbarment of the vendor through the United Nations Global Marketplace.

Harassment, sexual harassment, abuse of authority and discrimination

52.   In 2019, OIGI completed five sexual harassment investigations involving WFP personnel. Four were substantiated. At the end of the year, OIGI had 13 sexual harassment investigations in progress. There are both verbal and physical forms of sexual harassment. None of the sexual harassment investigations substantiated and reported in 2019 involved physical sexual harassment that constituted sexual violence.

53.   Nine investigations of harassment, abuse of authority and discrimination were completed in 2019, in three of which the allegations were substantiated. OIGI had 20 ongoing investigations of harassment, abuse of authority and discrimination at year-end.

Protection from sexual exploitation and abuse

54.   All WFP personnel must report allegations of sexual exploitation and abuse to OIG, which can be done anonymously through the OIGI hotline. All United Nations agencies, funds and programmes are required to provide anonymized reporting on allegations of sexual exploitation and abuse to the Secretary-General when there is sufficient information to identify a possible act of sexual exploitation or abuse involving an identifiable victim or perpetrator. These allegations are reported publicly at https://www.un.org/preventing-sexual-exploitation-and-abuse/content/data-allegations-un-system-wide.

55.   OIGI completed eight sexual exploitation and abuse investigations in 2019; in only one of which were the allegations substantiated. Three cases were under investigation at the end of the year, and the remaining cases were closed, awaiting assessment, or referred to cooperating partners pending finalization of their review. Not all allegations of sexual exploitation and abuse met the requirements for reporting to the Secretary-General of the United Nations.

The "new normal" of growing caseloads

56.   OIGI has experienced a growing backlog of lower-priority cases, which has increased the time associated with closing the investigations of such cases. To ensure that the most critical cases are addressed quickly, OIGI's prioritization methodology was improved to more effectively document the rationale for case selection and prioritization. Allegations of sexual harassment and assault, sexual exploitation and abuse and significant fraud are assigned the highest priority.

57.   To meet its staffing needs OIGI added more short-term consultants and established a proxy investigation process that utilizes field personnel, under OIGI supervision, to support relatively low-priority investigations. OIGI also opened a regional office in Nairobi to support the rapid deployment of investigators in Africa and the Middle East.

Figure 6: Cases managed by activity type
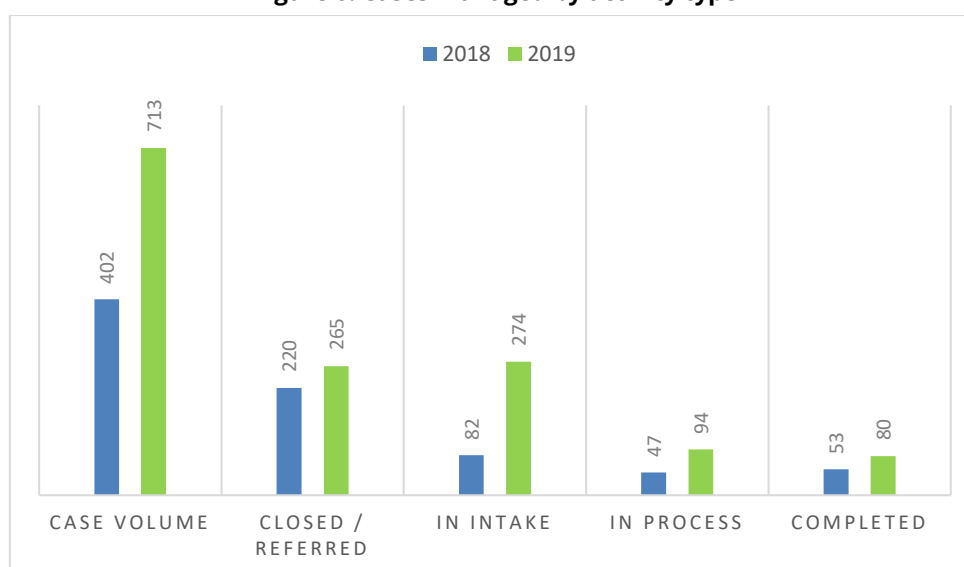
Inspections

58. Inspections are inquiries that can be undertaken in areas of perceived risk, outside the context of the annual assurance work plan or in the absence of a specific allegation. The purpose of an inspection is to discover facts that, if proven, indicate that wrongdoing or misconduct may have occurred and should be reported.

59. OIGI completed one inspection in 2019, focused on the risks associated with food distribution and local food procurement in Yemen. The inspection report will be issued in the second quarter of 2020.

Other communications

60. OIGI issued management implication letters and a briefing note in 2019 (see annex II, table 2.b). Management implication letters are issued when investigative work identifies specific fraud schemes or control enhancements that should be communicated beyond the limited distribution of an investigation report. The briefing note was issued to inform management that the biometric controls initiated in a specific country had been effective in reducing the risk of duplicate delivery of benefits.

ANNEX I

1a: Internal audit reports and ratings[a]		
Audit engagement	**Report reference**	**Rating**
1	WFP operations in Pakistan	AR/19/11	Partially satisfactory – major improvement needed
2	WFP Djibouti corridor management	AR/19/12	Unsatisfactory
3	WFP operations in the Niger	AR/19/13	Partially satisfactory – some improvement needed
4	WFP operations in the Sudan	AR/19/14	Partially satisfactory – some improvement needed
5	WFP's Level 3 emergency response for the Sahel	AR/19/15	Satisfactory
6	WFP operations in Chad	AR/19/16	Partially satisfactory – major improvement needed
7	WFP operations in Honduras	AR/19/17	Partially satisfactory – major improvement needed
8	WFP operations in Peru	AR/19/18	Satisfactory
9	Mobile-based transfers in West and Central Africa	AR/19/19	Partially satisfactory – major improvement needed
10	Food safety and quality as a corporate risk	AR/19/20	Partially satisfactory – major improvement needed
11	Implementation of Agreed Actions from the 2018 Internal Audit of WFP operations in Libya (follow-up audit)	AR/19/21	Not rated
12	Performance management and appraisal in WFP	AR/19/22	Partially satisfactory – major improvement needed
13	Governance of IT-enabled projects in WFP	AR/19/23	Partially satisfactory – major improvement needed
14	Tone-at-the-Top and WFP's leadership arrangements	AR/20/01	Partially satisfactory – major efforts still needed
15	Third-party access to WFP's data and systems	AR/20/02	Partially satisfactory – major improvement needed
16	WFP operations in Yemen	AR/20/03	Partially satisfactory – some improvement needed
17	WFP's delivery through non-governmental organizations and cash-based transfers in Iraq	AR/20/04	Partially satisfactory – some improvement needed
18	WFP operations in Ethiopia	AR/20/05	Partially satisfactory – major improvement needed
19	WFP operations in Uganda	AR/20/06	Partially satisfactory – some improvement needed
20	Beneficiary targeting in WFP	AR/20/07	Partially satisfactory – major improvement needed

1a: Internal audit reports and ratings[a]		
Audit engagement	**Report reference**	**Rating**
21 WFP's nutrition activities	AR/20/08	Partially satisfactory – some improvement needed
22 Cloud computing in WFP	AR/20/09	Partially satisfactory – major improvement needed

[a]While all work was completed in 2019, the reports on assignments started late in 2019 may only be issued in 2020. Internal audit reports and their respective issue dates can be found at https://www.wfp.org/audit-inspection-reports."

1b: Advisory assurance reports[a]		
Report name	**Report reference**	**Issue date**
1 WFP corporate resource allocation	AA/19/01	June 2019
2 Data protection and privacy as informed from benchmarking to the General Data Protection Regulation (GDPR)	AA/19/02	November 2019
3 Accountability to affected populations – a maturity framework	AA/20/01	March 2020

[a] Other advisory deliverables include the four memorandums to management described in footnote c to table 1 in the body of this report, which are included in the total count of completed projects contributing to the assurance opinion.

1c: Proactive integrity reviews		
Report name	**Report reference**	**Issue date**
1 Payroll in the field (PASport)	PIR/19/04	December 2019

ANNEX II

2a: Investigation reports – substantiated allegations		
Report reference	**Report name**	**Issued**
RBB – Regional Bureau – Asia and the Pacific		
1	I 28/19	Fraudulent practice – vendor	May 2019
2	I 42/18	Fraudulent practice and misuse of funds – cooperating partner	June 2019
3	I 13/19	Fraudulent practice and conflict of interest – former staff	July 2019
4	I 56/18	Fraudulent practice – former cooperating partner	July 2019
5	I 65/18	Theft: food diversion – staff	September 2019
6	I 14/19A	Fraudulent practice – beneficiaries	September 2019
RBC – Regional Bureau – Middle East, North Africa, Eastern Europe and Central Asia		
7	I 14/18-A	Fraudulent practice – staff	January 2019
8	I 34/18	Conflict of interest – staff	January 2019
9	I 49/18	Conflict of interest – staff	January 2019
10	I 07/18	Harassment and abuse of authority – staff	January 2019
11	I 14/18-B	Fraudulent practice – staff	March 2019
12	I 14/18-C	Fraudulent practice – staff	April 2019
RBD – Regional Bureau – West Africa		
13	I 02/19	Sexual exploitation and abuse – former cooperating partner	February 2019
14	I 07/19	Fraudulent practice – staff	April 2019
15	I 36/19	Sexual harassment – staff	December 2019
RBJ – Regional Bureau – Southern Africa		
16	I 28/18	Negligence – staff	May 2019

Note: The table above has three header columns (Report reference, Report name, Issued). The "Report reference" column contains two sub-entries per numbered row: the row number and the reference code.

2a: Investigation reports – substantiated allegations		
Report reference	**Report name**	**Issued**
17	I 38/19	Gross negligence – staff	May 2019
18	I 39/19	Fraudulent practice – vendor	May 2019
19	I 54/18	Fraudulent, collusive and obstructive practices – staff	June 2019
20	I 34/19	Fraudulent practice – vendor	June 2019
21	I 67/18[a]	Malicious reporting, obstruction and misuse of funds – staff	July 2019 December 2019
22	I 47/18	Fraudulent practice – staff	July 2019
23	I 19/19	Fraudulent practice – cooperating partner	November 2019
RBN – Regional Bureau – East Africa		
24	I 44/17	Conflict of interest – staff	February 2019
25	I 72/18	Sexual harassment – staff	February 2019
26	I 22/17[a]	Fraudulent, corrupt and collusive practices – staff	February 2019
27	I 47/17	Food diversion – vendor	March 2019
28	I 01/19	Harassment and sexual harassment – staff	August 2019
RBP – Regional Bureau – Latin America and the Caribbean		
29	I 05/19	Fraudulent practice – cooperating partner	May 2019
30	I 08/18	Fraudulent practice – staff	July 2019
31	Referral	Food diversion in school feeding programme – referred to investigation unit of cooperating partner – cooperating partner staff	September 2019
32	I 66/18	Harassment and abuse of authority – staff	December 2019
HQ – Headquarters, Rome		
33	I 45/17[b]	Harassment – staff	February 2019
34	I 12/19	Fraudulent practice – staff	May 2019

2a: Investigation reports – substantiated allegations			
	Report reference	**Report name**	**Issued**
35	I 24/19	Fraudulent practice – staff	July 2019
36	I 33/19	Sexual harassment – staff	August 2019
37	I 53/18	Fraudulent practice – vendor	November 2019

ᵃ Report revised and reissued with additional information.
ᵇ Case initially closed in 2018. Reopened and completed in 2019 with new evidence.

2b: Other OIGI communications			
	Report reference	**Communication title**	**Issued**
1	X 75/18	Management Implication Memo – Food theft through siphoning (RBN)	January 2019
2	I 20/18	Management Implication Memo – Construction contracting process (RBC)	February 2019
3	I 14/19-A	Briefing note – Testing of duplicate beneficiaries (RBB)	October 2019

Acronyms

AR	audit report
CBT	cash-based transfer
IT	information technology
NGO	non-governmental organization
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PASport	payroll application system portal
PIR	proactive integrity review
RBB	Regional Bureau Bangkok
RBC	Regional Bureau Cairo
RBD	Regional Bureau Dakar
RBJ	Regional Bureau Johannesburg
RBN	Regional Bureau Nairobi
RBP	Regional Bureau Panama
SCOPE	digital beneficiary and transfer management platform