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Agenda item 6

For consideration



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ANNUAL REPORT OF THE WFP 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.

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Should you have any questions regarding availability of documentation for the Executive Board, please contact the Conference Servicing Unit (tel.: 066513-2645/2558).

* Oversight Office

** Office of Inspections and Investigations

EXECUTIVE SUMMARY

In accordance with Article VI (2) (b) (viii) of the WFP General Regulations, this annual report of the Inspector General covering January to December 2012 is presented to the Board for consideration. It gives an oversight perspective on governance, risk management and control in the World Food Programme and an overview of the work undertaken by the Oversight Office.

DRAFT DECISION*

The Board takes note of the “Annual Report of the WFP Inspector General” (WFP/EB.A/2013/6-E/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 further 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.

A. BACKGROUND

1. The Oversight Office is 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 2012, forms an annex to the Financial Rules and is communicated to the Executive Board in document WPF/EB.A/2013/6-I/1.
2. The Oversight Office 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 conformity with the Uniform Principles and Guidelines for Investigations endorsed by the Conference of International Investigators. The Director of the Oversight Office performs the functions of Chief Audit Executive and Inspector General.
3. The Director of the Oversight Office submits all internal audit, inspection and investigation reports to the Executive Director. A revised disclosure policy approved by the Board stipulates the disclosure of internal audit and inspection reports on a public website. The Director of the Oversight Office also submits quarterly reports to the Executive Director and the Audit Committee, and this annual report to the Executive Board.
4. This report provides the oversight perspective regarding WFP's governance, risk management and control, and an overview of the activities of the Office of the Inspector General, the Office of Internal Audit and the Office of Inspections and Investigations.
5. During 2012 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.

B. GOVERNANCE, RISK MANAGEMENT AND CONTROL IN WFP – AN OVERSIGHT PERSPECTIVE

Introduction

6. The work of the Oversight Office assists the Inspector General to express an opinion as to whether WFP's internal controls, governance and risk management processes provide reasonable assurance that WFP's objectives will be achieved. In 2012, as in previous years, 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. The oversight work performed concluded that there is a sufficient framework of essential controls to achieve objectives, but that this framework could be stronger. Annex I provides the Assurance Statement for 2012.
7. In addition to leading the Oversight Office, the Inspector General proffered advice to management on specific issues, including through participation in internal committees. An overview of the activities undertaken by the Office of the Inspector General is provided in section C.
8. In 2012, the Office of Internal Audit continued to support management by identifying opportunities for improving internal controls, governance and risk management;

developing practical solutions; and adopting the internal control framework. Audits examined the assurance statement process that supports the Executive Director's Statement on Internal Control, providing recommendations for improvement that have been implemented for the 2012 assurance statements. Internal audit recommendations on corporate emergency procedures emphasized important improvements in the governance of emergencies. An overview of activities undertaken by the Office of Internal Audit is provided in section D.

9. The existence of the Office of Inspections and Investigations is itself a deterrent to misconduct. The work done by the Office of Inspections and Investigations provides immediate resolution of problems arising from staff behaviour or the understanding and application of controls in a country office or Headquarters unit, and contributes to minimizing or eliminating risks and containing costs. An overview of activities undertaken by the Office of Inspections and Investigations is provided in section E.

Improvements Achieved

10. Last year's report of the Inspector General highlighted several opportunities for improvement. In 2012, oversight work noted improvements in the governance and internal control systems within WFP:
 - WFP's fit-for-purpose exercise and new organizational design helped to guide the creation, consolidation and relocation of organizational entities.
 - WFP's framework for corporate emergencies was strengthened, improving clarity on the hierarchy for decision-making and the roles of management at different levels.
 - Steps were taken to improve transparency in the selection and recruitment of professional staff through the reassignment process.
 - Compliance with WFP's performance management system improved.
 - Country offices were sensitized to improve their recruitment processes for external staff in emergencies.
 - Guidance on the development of information technology (IT) applications and related project management practices was issued, and the foundations were laid for future improvements in user and role management in the WFP Information Network and Global System (WINGS).
 - The food security cluster addressed challenges in inter-agency coordination in some complex emergencies, and contributed to institutionalizing support for mainstreaming WFP operations in the recovery phase.
11. Good practices observed during the oversight work undertaken in 2012 are highlighted in paragraph 44.

Opportunities for Further Improvement

12. In the last five years, significant changes have been introduced in WFP's oversight regime. Additional opportunities for improvement are detailed in the following paragraphs.
13. Many opportunities for improvement summarized in the 2011 report have been exploited. Those still to be acted on include opportunities for strengthening governance throughout WFP by updating the information and communications technology (ICT) strategy and endorsing it as an official document, and enhancing governance over WFP's self-insurance function; improving the internal organization and management function by completing and formalizing the delegation of authorities; and improving human resource

management by instituting mandatory orientation training for staff joining WFP for the first time.

14. *Enhancing the legal framework.* The current legal framework for the oversight function – Financial Regulation 12.1 – dates from before the establishment of the Executive Board in 1996. Since then, developments in oversight at WFP include provision in the powers and functions of the Executive Board regarding the annual report of the Inspector General; establishment of the Audit Committee; and establishment of terms and a process for appointing the Director of the Oversight Office. In view of these developments, and the role of the oversight function in WFP, it is time to consider developing a dedicated chapter in the regulations that lays out the framework for the oversight function, including the Oversight Office and the Audit Committee.
15. *Improving WFP’s internal justice process and addressing the perception that WFP does not apply zero tolerance rigorously enough.* The United Nations community recognizes WFP’s investigation function as highly professional. However, if WFP is to benefit from investigations, there is a need to look at what actions it takes after they have been completed.
16. Among staff there is a perception that although WFP has declared its adoption of a policy of zero tolerance towards fraud and abuse, its actions are not commensurate with this policy. Staff members’ willingness to report cases of fraud and abuse depends on their perception that complaints are taken seriously, not only by the Office of Inspections and Investigations, but also by WFP as a whole. The perception that WFP does not take fraud and abuse seriously may be caused by several factors.
17. When a complaint is lodged, the Office of Inspections and Investigations strives to finalize an investigation within six months, in line with the target set under the Reform of the United Nations System of Internal Justice; no such target has been set for the process that follows an investigation. While the authority to accept or reject the conclusions and recommendations of an investigation should rest with management, the decision-making process could be accelerated by strengthening the offices responsible for reviewing investigation reports and advising management. Providing regular feedback to the Office of Inspections and Investigations to improve the methodology and quality of investigation reports through learning could also accelerate the review process.
18. The Oversight Office is of the view that WFP should take into account the costs of reputational risk and low staff morale in determining whether to impose a sanction. It is unfair to the staff who report substantiated misconduct and to those who provide witness accounts from inside or outside WFP if the organization does not take action when its staff are engaged in misconduct. Although the type and level of a sanction should be commensurate with the severity of the misconduct and in accordance with the legal framework, the impact of non-action on staff morale and reputational risk should be taken into account in the overall interest of WFP. When determining a sanction, consultation with the Inspector General, as a member of the Executive Management Group, could be useful.
19. In the course of due process, WFP should acknowledge that cases could occasionally be lost on procedural grounds. WFP should not take an “avoid losing at any cost” approach. If, despite the best efforts of WFP, a case is lost at the International Labour Organization or United Nations tribunal, WFP should note that the records of these tribunals are public and available to all staff. The case may have been lost because of a lapse in procedure, but the basis for the management decision to impose sanctions would have become public. A link to tribunal judgements could be placed on the WFP Intranet.

20. Other detailed areas for improvement based on the oversight work undertaken in 2012 are summarized in paragraph 45.

C. OVERVIEW OF ACTIVITIES OF THE OVERSIGHT OFFICE

21. The services provided by the Oversight Office include internal auditing, investigation, inspection and advisory services as summarized in Table 1. The scope of work includes all systems, processes, operations and activities undertaken by WFP.

Year	Internal Audit			Investigation		Inspections
	No. of reports issued	No. of audit missions completed	Advisory services	No. of registered cases	No. of completed cases (at 31 Dec. 2012)	No.
2010	31*	24	22	89	55	2
2011	23*	25	30	76	142	1
2012	15*	21	22	33	62	2

* Includes one pre-audit risk assessment report.

22. In 2012, the Oversight Office continued its work to improve the transparency of WFP and took the lead in revising the Policy for Disclosure of Oversight Reports, adding provisions for: i) disclosing inspection reports; ii) disclosing internal audit and inspection reports on a public website; iii) authorizing the Director, Oversight Office to enter into formal agreements for sharing investigation reports on a confidential and reciprocal basis; and iv) authorizing the Director, Oversight Office to redact or withhold reports, as approved by the Board at its Second Regular Session in 2012. Annexes II and IV list all internal audit and inspection reports issued, and indicate which will be disclosed on WFP's public website.

Resources

23. The budget allocation for the Oversight Office increased from US\$6.6 million in 2011 to US\$7.8 million in 2012.

	2010	2011	2012
Budget allocation	5 818	6 592	7 766
Actual expenditures	5 816	6 532	5 923

24. Staff numbers increased from 33 in 2010 and 2011 to 37 in 2012, when four positions funded from additional resources since 2009 were added to regular funding.

TABLE 3: NUMBERS OF OVERSIGHT OFFICE STAFF			
	2010	2011	2012
Professional	25	25	28
General service	8	8	9
TOTAL	33	33	37

25. During 2012, eight staff members left the Oversight Office, two staying within WFP and six leaving; three new staff members were hired from outside WFP; three staff members moved to higher positions within their respective units; and two were promoted while continuing to stay in their positions. At the end of 2012, eight positions remained vacant; candidates were already identified for four of these.

Coordination, Liaison and Outreach

26. The Oversight Office undertook coordination, liaison and outreach activities as part of its efforts to identify emerging trends, develop innovative practices, promote transparency and facilitate knowledge transfer.
27. Communications are maintained with all relevant divisions at Headquarters. The Office of Inspections and Investigations collaborates with the Ombudsman, the Staff Relations Branch of the Human Resources Division, the Ethics Office and the Legal Office. The Office of Internal Audit collaborates with the Office of Evaluation by sharing its work plan and relevant results, the Performance Management and Monitoring Division by sharing information on risks and following up on recommendations, and the External Auditor by sharing its audit strategy, work plan and internal audit reports.
28. Information sessions to explain the role of the Oversight Office were held in Headquarters during the regional finance officers' meeting, the procurement officers' meeting and introduction sessions for new staff and junior professional officers, and in the Dakar Regional Bureau during the regional procurement officers' meeting.
29. At its regular meetings with the Audit Committee, the Oversight Office shares its annual work plan, quarterly reports and internal audit reports.
30. Meetings attended by the Oversight Office outside WFP includes those of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions, those of the Conference of International Investigators of United Nations Organizations and Multilateral Financial Institutions, and the joint session of internal oversight functions of Rome-based agencies, the aim of which was to share insights and methods and discuss opportunities for cooperation.
31. The Inspector General is an observer on the Investment Committee, the Staffing Committee, the Management Information Systems Steering Committee, the Committee on Commodities, Transport and Insurance, and the Executive Management Group. He attends the meetings of the Finance Committee of the Food and Agriculture Organization of the United Nations and the Advisory Committee on Administrative and Budgetary Questions.

32. In 2012, the Oversight Office continued its awareness-raising sessions on the Anti-Fraud and Anti-Corruption Policy (WFP/EB.2/2010/4-C/1) to increase staff understanding of the types of behaviour and activities that are not acceptable and to underline the obligation of all staff to report such behaviour and activities. Sessions were held for Country Directors at the annual regional meetings of the Middle East, North Africa, Eastern Europe and Central Asia region and the East and Central Africa region; for staff of the Resource Management and Accountability Department at Headquarters; and for staff of the Afghanistan country office. A total of 306 staff members attended awareness training during 2012.

Disclosure of Oversight Reports

33. The policies for disclosure of internal audit reports, approved in November 2010, investigation reports, approved in June 2011, and oversight reports, approved in November 2012, set out the conditions under which WFP's internal audit, inspection, and investigation reports are made available. Table 4 shows the requests for disclosure received in 2012. All requesting Permanent Representatives confirmed their adherence to the principle of confidentiality of the information disclosed. There were no requests for clarification of the contents of the disclosed reports.

TABLE 4: REQUESTS FOR DISCLOSURE OF OVERSIGHT REPORTS			
Date of request	Report no.	Report title	Date report provided
30/05/2012	AR/10/18	WFP operations in Haiti	08/06/2012
30/05/2012	AR/10/22	WFP operations in Iraq	08/06/2012
30/05/2012	AR/11/03	WFP operations at the Sudan Regional Bureau	08/06/2012
30/05/2012	AR/11/05	WFP operations in the Democratic Republic of the Congo	08/06/2012
30/05/2012	AR/11/10	WFP operations in Kenya	08/06/2012
30/05/2012	AR/11/09	WFP operations in Ethiopia	08/06/2012
30/05/2012	AR/11/11	WFP operations in the Philippines	08/06/2012
30/05/2012	AR/11/12	WFP operations in Pakistan	08/06/2012
30/05/2012	AR/11/13	WFP operations in Sri Lanka	08/06/2012
30/05/2012	AR/11/20	WFP operations in Chad	08/06/2012
15/11/2012	AR/12/11	Private partnerships	27/11/2012
12/12/2012	AR/12/05	WFP operations in South Sudan	21/01/2013
12/12/2012	AR/12/08	WFP operations in the Central African Republic	Pending
12/12/2012	AR/12/10	Headquarters food procurement	Pending

D. OVERVIEW OF ACTIVITIES OF THE OFFICE OF INTERNAL AUDIT

Internal Audit

34. Internal audits provide the Executive Director with independent and objective assurance and advisory services. They are designed to improve WFP's operations and help WFP accomplish its objectives by applying a systematic, disciplined approach to evaluating and suggesting improvements to risk management, control and governance processes.

35. As part of the Oversight Office's process for providing assurance to the Board and the Executive Director, the Office of Internal Audit examines and evaluates the adequacy and effectiveness of WFP's internal control, governance and risk management processes overall and the performance of assigned responsibilities for achieving WFP's stated goals and objectives. The Office of Internal Audit aims to provide assurance that:
- resources are utilized as intended by donors and management;
 - resources are used efficiently and effectively;
 - assets are adequately safeguarded; and
 - corporate information is accurately processed and reported.
36. Internal audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
37. The Office of Internal Audit carries out internal audits in WFP country offices, regional bureaux, Headquarters units and liaison offices. In 2012, it completed 21 audit assignments in field and Headquarters offices (Annex II). The Office of Internal Audit made recommendations, and management agreed to take action to address all the risks identified during audits.

⇒ *Information technology audit*

38. During 2012, the Office of Internal Audit continued to provide IT audit and advisory services to address the challenges and assess the opportunities arising from WFP's complex ICT environment. Significant activities in this area included:
- identifying and assessing high- and medium-risk IT areas in the country offices audited during the year, and sharing good practices observed in country offices with other offices;
 - conducting three IT audits covering:
 - ◇ information systems security: WFP's assets, assets under the administration of the United Nations International Computing Centre, networks, applications, the e-mail system and user management practices;
 - ◇ development of the Personnel Action System Portal New Generation (PASport NG) system, which handles service contracts and special service agreements for all WFP employees and contractors;
 - ◇ a pilot audit of the Logistics Execution Support System (LESS) and other IT functions in WFP Liberia;

these three audits made 36 recommendations, which were accepted by management and have been or are being implemented;
 - providing advisory services in IT policy formulation as required.

⇒ *Audit results*

39. The Office of Internal Audit's work is planned according to a risk-based methodology that is continually adjusted to emerging risks. The Office of Internal Audit completed 97 percent of its initial internal audit work plan for 2012 and 100 percent of the adjusted work plan communicated to the Executive Director and the Audit Committee deferring one audit and including three additional audits. The Office of Internal Audit also carried out one corporate emergency pre-audit risk assessment.

40. Nine process areas were defined, encompassing the full range of WFP's processes. These areas are aligned with the five components of internal control identified in WFP's corporate control framework – which is an adaptation of the Committee of Sponsoring Organizations of the Treadway Commission framework – and the four Control Objectives for Information and Related Technology. The Office of Internal Audit reported on these areas in 14 internal audit reports issued in 2012, and 4 internal audit reports issued in early 2013, covering activities in 24 country offices, 9 Headquarters offices and one regional bureau. Table 5 shows the number of process areas covered by audit work and the average risk rating, by process, for 2012 compared with 2010 and 2011.

TABLE 5: AUDIT PROCESS COVERAGE AND RISK RATINGS					
No.	Internal control component	Overall rating*			No. of process area audits 2012
		2010**	2011**	2012**	
1	Internal environment	2.2	1.8	2.2	16
2	Risk assessment	1.7	1.6	1.7	9
3	Control activities	1.9	2.0	2.4	14
4	Information and communication	1.7	1.4	1.9	5
5	Monitoring	2.1	1.8	2.0	8
6	IS/IT plan and organize	2.0	2.4	1.7	3
7	IS/IT acquire and implement	1.5	2.1	1.8	8
8	IS/IT deliver and support	3.0	1.6	2.0	5
9	IS/IT monitor and evaluate	1.8	-	2.0	1
	TOTAL				69

* Grouped according to the 2012 internal control components.

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

IS/IT = information systems/information technology

41. Each audit is rated according to harmonized ratings for United Nations funds and programmes. Table 6 shows the number of audit reports issued in 2012 or at the final reporting phase on 31 December 2012 for each rating. As the number of audit reports does not fully reflect the overall risk coverage – an audit of a small operation brings a lower level of corporate assurance than an audit of a significant operation or a corporate emergency – Table 6 also provides the total audit-assessed risk, according to the risk measurement methodology used for the 2013 work plan. Ratings for each audit report issued in 2012 are provided in Annex II.

TABLE 6: RESULTS OF 2012 AUDIT ENGAGEMENT RATINGS			
Rating	Definition	No. of reports issued or in final reporting phase at 31/12/12	% of audit-assessed risk coverage
Satisfactory	Internal control, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect achievement of the objectives of the audited entity	1	0.1
Partially satisfactory	Internal control, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that might negatively affect achievement of the objectives of the audited entity	12	26.0
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	5	18.2
TOTAL		18	44.3

⇒ *Audit recommendations*

42. Internal audits issue recommendations for overcoming weaknesses found in the audited entity's processes. These recommendations are addressed to the entity's manager or corporate director, as appropriate. The numbers and ratings of recommendations from internal audit reports issued in 2012 are provided in Table 7.

TABLE 7: NUMBERS AND RATINGS OF 2012 AUDIT RECOMMENDATIONS		
Rating	Definition	No. of recommendations
Low-risk	Issues or areas that if corrected would improve internal controls. Recommendations relate to best practices as opposed to weaknesses that prevent systems and business objectives from being met	Low-risk issues are brought to management's attention but no recommendation is issued
Medium-risk	Issues or areas regarding matters that have an important effect on controls but that may not require immediate action. These matters may prevent a business objective from being achieved, or may leave unmitigated risk that would have an impact on achievement of an entity's objectives	132
High-risk	Issues or areas regarding important matters that are material to the internal control system. These matters may prevent a corporate objective from being achieved, or may leave unmitigated risk that would have a high impact on achievement of WFP's objectives	28
TOTAL		160

43. Managers are expected to implement accepted recommendations within an agreed timeframe, which is generally 12 months. However, 163 recommendations – six high-risk and 157 medium-risk – issued in 2011 or earlier were outstanding at 31 December 2012. The status of implementation of audit recommendations issued in 2012 and those outstanding from prior years is provided in Table 8.

TABLE 8: STATUS OF AUDIT RECOMMENDATIONS								
Risk rating	Prior audits		2011 reports		2012 reports		Total	
	High	Medium	High	Medium	High	Medium	High	Medium
Outstanding at 1 Jan. 2012	8	193	6	187	0	0	14	380
Issued in 2012	0	0	0	0	28	132	28	132
TOTAL	8	193	6	187	28	132	42	512
Implemented in 2012	6	119	2	104	12	40	20	263
Outstanding at 31 Dec. 2012	2	74	4	83	16	92	22	249

⇒ *Strengths and good practices observed in audits*

44. Internal audits noted the following strengths and good practices:

- Some offices paid greater attention to the corporate requirement to complete performance appraisals.
- The assurance statement process is in place and is generally completed accurately; WFP leads the United Nations system in issuing a statement on internal control.
- More offices are complying with and benefiting from the corporate requirement for enterprise risk management.
- The LESS pilot has brought improvements to commodity accounting; there is opportunity to capitalize on these developments across WFP.
- The food procurement commodity specification process is robust.
- The forward purchasing facility has had a positive impact on operations.
- Some country offices have introduced beneficiary feedback systems.
- Some country offices have developed monitoring and evaluation databases, in the absence of corporate guidelines.
- An executive management information reporting package is under development and is expected to improve the quality of management decision-making information.
- WFP's IT governance framework includes a solution development life cycle policy, a well-defined corporate information and IT security policy, and implementation of information risk assessment.

⇒ *Areas for improvement observed in audits*

45. Internal audits noted the following areas requiring improvement in various processes:

- WFP operates in fragile and complex environments where it may not be possible to follow standard WFP procedures. In these environments, country offices faced difficulties in such areas as assessing and updating needs, monitoring, staffing, security, financial transactions, supplier scarcity and limited staff mobility. There were opportunities for developing corporate operating modalities for such conditions; country offices that were unable to meet expected standards in specific areas should have informed the Operations Services Department of the constraints and risks.

- Responsibility for the segregation of duties matrix that provided the framework for access to WFP's corporate financial systems had been assigned but not implemented. Challenges were observed in capacity, segregation of incompatible functions and funding in small to medium-sized offices.
- The LESS project was expected to bring important improvements to commodity management procedures. The roles and responsibilities of stakeholders in the project could be clarified.
- The corporate Organizational Management Unit planned for establishment within the Human Resources Division in 2010 has not been fully resourced and implemented. Management needed to examine this issue and determine responsibility for management of WFP's organizational structure.
- There was no systematic mapping of risks relating to fundraising from private sector donors, to ensure alignment between the risk profile and controls and to enable the risks to be escalated to the corporate level. Agreements between WFP and branded charities could be improved to enhance the protection of WFP through due diligence and information disclosure on the identity of private donors.
- The owner of the corporate emergency response process requires greater authority to determine the responsibilities, tasks and reporting obligations of each structural component in a corporate emergency. Support mechanisms to facilitate surge capacity in corporate emergencies and ensure timely and relevant deployment and backstopping also need improvement.
- There was a gap between WFP's statements and intentions regarding food safety and quality and its investment of resources and staff in this function.
- There was opportunity for more effective staff screening, of both skills and psychological factors, before filling positions, to ensure that WFP placed the right staff in the right posts.
- There was an inherent conflict of interest in the structure of private sector fundraising, with a single division making decisions on fundraising methods and projects while also being responsible for accepting funds and management fees and protecting WFP's brand.
- Inconsistencies in public messaging on the costs of meals should be addressed.
- There were opportunities for coordinating improvements in WFP's ICT network infrastructure and connectivity with the requirements of new and emerging corporate systems.

Advisory Services

46. As part of its mandate, the Office of Internal Audit provides advisory services to management. A total of 22 such services were provided in 2012, including advice: i) to the Logistics Division on the Committee on Commodities, Transport and Insurance's transport and insurance reports; ii) on circulars and procedures such as WFP's business continuity management, the Executive Director's circular on the global vehicle leasing programme, field-level agreement templates, a generic job profile for compliance officers, various human resources and IT directives, WFP Treasury's in-house portfolio management arrangements, and cash and voucher procedures; iii) on WFP's travel policies; iv) to the SAP¹-to-Bank Integration Steering Committee and the Investment Committee and

¹ SAP is the name of the company on which software for WINGS is built.

Management Information Systems Steering Committee; and v) on internal control matters for regional finance officers, global procurement officers and procurement officers in the West Africa region.

E. OVERVIEW OF ACTIVITIES OF THE OFFICE OF INSPECTIONS AND INVESTIGATIONS

47. The Office of Inspections and Investigations mission is to provide independent and objective inspection and investigation services that strengthen WFP's functioning by safeguarding its assets and promoting an ethical work environment. The Office of Inspections and Investigations has two functions for this: investigations and inspections.

Investigations

48. 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.
49. The Office of Inspections and Investigations investigates reports of violations of WFP rules and regulations, policies, procedures and other administrative requirements; instances of fraud or corruption are analysed according to criminal law concepts in the administrative context. The scope of the Office of Inspections and Investigations work includes allegations of irregularities – fraud, theft, harassment, sexual harassment/exploitation, abuse of authority, etc. Cases are prioritized as high, medium or low based on the seniority of staff, the potential value of the loss or the nature of the allegation; for example, allegations of sexual exploitation and abuse and corruption are high-priority. Based on its investigative findings, the Office of Inspections and Investigations is responsible for recommending administrative or disciplinary action or highlighting control weaknesses. Management decides whether to pursue administrative or disciplinary proceedings, and has exclusive responsibility for implementation. When an investigation results in evidence of criminal conduct, the Office of Inspections and Investigations may recommend that the case be referred to the appropriate national authorities.
50. The Office of Inspections and Investigations received 154 complaints in 2012, down from 169 in 2011. After preliminary review, 50 complaints were referred to management for action. The remaining complaints resulted in 33 cases, representing 21 percent of complaints, compared with 78 cases – 46 percent of complaints– in 2011. While the number of complaints decreased slightly, the number of cases decreased significantly, showing that fewer complaints reached the threshold that necessitates an investigation. The Office of Inspections and Investigations enhanced the information provided to staff on when and how to submit complaints.
51. Complaints relating to harassment, sexual harassment and abuse of power; sexual exploitation; and entitlement fraud increased in 2012 compared with 2011. After two years of decrease in complaints relating to food diversions, these complaints increased in 2012 to their 2010 level. Complaints related to financial fraud, procurement fraud, theft and ICT decreased considerably.
52. The total loss from cases investigated in 2012 was US\$99,533, of which none was recovered in 2012 – recovery of US\$93,183 was recommended.

53. Table 9 shows the status of cases in 2012, compared with 2011.

TABLE 9: STATUS OF INVESTIGATION CASES		
	2011	2012
Outstanding cases carried over from previous period	103	37
Cases registered during the year	76	33
TOTAL	179	70
Cases closed during the year	142	62
Outstanding cases at year end	37	8
• of which outstanding for more than 6 months	15	0

54. In 2012, the Office of Inspections and Investigations handled 70 cases and completed 62 – either registered in 2012 or outstanding from previous years. Of these cases, 31 were substantiated and administrative or disciplinary action was recommended. For the first time, no cases were outstanding for more than six months at the end of 2012. A list of reports issued and available to Member States on request is attached in Annex III.

55. Numbers of cases brought forward and registered in 2012 and of cases completed, outstanding and substantiated² – by category – at the end of 2012 are shown in Table 10.

TABLE 10: 2012 CASE STATUS, BY CATEGORY						
Category	Outstanding at 1 Jan. 2012	Registered in 2012	Total	Completed		Outstanding 2013
				Total	Substantiated	
Harassment/sexual harassment/abuse of power	6	6	12	10	4	2
Sexual exploitation	1	1	2	2	0	0
Conflict of interest/ bribery	2	0	2	2	1	0
Food diversion/theft	6	6	12	10	8	2
Financial fraud	2	0	2	2	2	0
Procurement fraud	5	2	7	6	5	1
Entitlement fraud	0	3	3	3	2	0
Other fraud	7	6	13	12	5	1
Other theft	3	3	6	5	1	1
ICT	3	2	5	5	3	0
Mismanagement	1	1	2	2	0	0
Miscellaneous	1	3	4	3	0	1
Retaliation against whistle-blower	0	0	0	0	0	0
TOTAL	37	33	70	62	31	8

² A case is classified as substantiated when a preponderance of the evidence indicates that at least some of the allegations are valid.

⇒ *Results of investigative work*

56. The Office of Inspections and Investigations investigative work provides the Inspector General with an overview of WFP's "behavioural health" – what has become normal or acceptable in the WFP culture and working environment. The Office of Inspections and Investigations notes that managers are becoming more proactive in tackling misconduct, as demonstrated by not only the frequency of requests for advice but also the interest shown in the anti-fraud and anti-corruption awareness-raising sessions. The Office of Inspections and Investigations believes that these sessions help staff and managers to recognize corrupt practices and weaknesses in their controls, and will continue to provide them.
57. The Office of Inspections and Investigations continues to observe that many investigations are a consequence of weaknesses in performance management at all levels, and of insufficient matching of personnel management to operational requirements. To reduce WFP exposure to unnecessary risks, both financial and reputational, attention must continue to be given to placing the right staff, with proven experience, in the right place.
58. Investigation reports include recommendations to managers related to control weaknesses. Recommendations for administrative or disciplinary action are addressed to the Executive Director, the relevant country or regional director or the Director of the Human Resources Division. The responsible manager, in consultation with the General Counsel and senior managers as applicable, determines any action to be taken; the staff member has the right to due process throughout the investigation and disciplinary proceedings. At present, the Oversight Office is neither formally consulted nor informed of the sanctions given to staff as a result of investigations.
59. Of the 91 investigation recommendations issued by the Office of Inspections and Investigations during the year, 29 had been implemented by 31 December 2012. The status of investigation recommendations is given in Table 11.

TABLE 11: STATUS OF INVESTIGATION RECOMMENDATIONS								
	Administrative/disciplinary action				Control weakness			
	Prior	2011	2012	Total	Prior	2011	2012	Total
Issued	178	61	42	281	135	26	49	210
Implemented at 31 Dec. 2012	146	36	4	186	129	17	25	171
Closed without implementation	13	0	0	13	4	0	1	5
Outstanding at 31 Dec. 2012	19	25	38	82	2	9	23	34

60. The Human Resources Division reports on the implementation of recommendations for administrative or disciplinary action in its annual report on disciplinary matters.

Inspections

61. 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.
62. In 2012, two inspections were undertaken (see Annex IV). One reviewed five small WFP country offices in the Middle East, North Africa, Eastern Europe and Central Asia region to form an opinion on whether WFP is adequately represented in these countries and, if so, whether these country offices could provide a model for other countries. The

inspection concluded that in certain situations a small country office could be a good option, and identified several opportunities for WFP to improve the model. The second inspection was similar to the 2011 inspection of the reimbursement of private telephone usage on official mobile telephones by staff based at Headquarters.

ANNEX I**Assurance Statement for 2012**

1. The mission of the Oversight Office is to provide assurance to the Executive Director 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 to the Executive Director.
2. WFP management is responsible for establishing and maintaining effective internal controls, governance and risk management processes to ensure WFP objectives are achieved, the Oversight Office is responsible for providing an opinion on the adequacy and effectiveness of these processes in achieving WFP's strategic and operational objectives.
3. The Oversight Office's annual work plan is intended to provide sufficient and broad coverage of WFP's key business processes to enable the Oversight Office to form an assurance opinion on whether internal controls, governance and risk management processes provide reasonable assurance in achieving WFP's strategic and operational objectives. The Oversight Office's annual opinion is formed on the basis of internal audit, investigation and inspection results for the year. The Oversight Office also takes into account the results of other WFP review and control groups and external assurance providers. The Oversight Office's long-term objective is to plan for and conduct sufficient oversight work to inform an annually expressed "positive assurance" opinion on the overall adequacy and effectiveness of internal controls, governance and risk management processes in achieving WFP's strategic and operational objectives. Until the Oversight Office reaches this long-term objective, it will provide an alternative appropriate annual assurance opinion.
4. For the purposes of informing an annual assurance opinion on internal controls, governance and risk management processes, the Oversight Office organizes its assurance strategy and work plan using a risk-based approach. This involves obtaining audit assurance on the processes and sub-processes put in place to manage risks and achieve the organization's objectives. 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 the Headquarters offices supporting field operations. The Oversight Office then rates and selects the country offices and Headquarters units and the processes to audit within each unit in order to provide the overall assurance required.
5. The Oversight Office's long-term objective is to plan for and conduct sufficient oversight work to inform a positive assurance opinion. Positive assurance (meaning that we are reasonably sure that everything is fine) provides a significantly higher level of assurance than the currently provided limited assurance (meaning that we are reasonably sure that everything is fine in what we examined), as it expresses an opinion on the whole scope. Prerequisites for positive assurance include the need for the opinion to be premised on sufficient elements of the internal control, governance and risk management processes to be able to express an opinion on the whole scope.
6. Limited assurance indicates that the auditor has no evidence to indicate whether significant deficiencies or exceptions exist in areas beyond the scope of specifically reported audit engagements during the period under review.

7. The Office of Internal Audit's 2012 work plan was based on the results of a risk assessment exercise carried out in 2011. The 2012 work plan foresaw audit coverage of 43.2 percent of WFP's total audit-assessed risk in 2012, when analysed according to the updated risk measurement methodology used in the 2013 internal audit work plan. Audit work carried out in 2012, based on this risk measurement methodology, covered 42.4 percent of WFP's total audit-assessed risk. Audit results reported in 2012 (including six audits carried out in 2011 and reported in 2012), and audit results from the third quarter of 2012, reported in January 2013, covered 44.3 percent of WFP's total audit-assessed risk and gave unsatisfactory ratings for 18.2 percent of WFP's total audit-assessed risk, and allowed provision of the following assurance opinion:

As in previous years, the oversight work performed and reported in 2012 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. Accordingly, the oversight work performed concluded that there is a sufficient framework of key controls to achieve objectives, but the controls framework could be stronger.

ANNEX II

2012 AUDITS, REPORTS AND RATINGS					
Audit engagement		Fieldwork completed		Report issued	Rating*
		2011	2012	2012	
1	Application development PASport NG	X		X	P
2	Office of the Executive Director	X		X	S
3	WFP operations in Afghanistan	X		X	P
4	LESS pilot and other IT-related matters in WFP Liberia	X		X	P
5	Risk assessment of Horn of Africa corporate emergency	X		X	N/A
6	WFP operations in South Sudan	X		X	P
7	Short-term human resources		X	X	U
8	WFP operations in Timor-Leste		X	X	P
9	Horn of Africa corporate emergency		X	X	U
10	Private sector partnerships		X	X	U
11	Information systems security		X	X	P
12	WFP operations in Central African Republic		X	X	P
13	Food procurement		X	X	U
14	Government donor relations		X	X	P
15	WFP operations in Côte d'Ivoire		X	X	U
16	WFP operations in Pakistan**		X		
17	Limited reviews of 15 low-risk entities**		X		
18	WFP operations in Yemen**		X		
19	WFP operations in Libya**		X		
20	Aviation Unit processes		X		
21	ICT information architecture		X		
22	WFP operations in the Sudan		X		
23	WFP operations in Haiti		X		
24	WFP operations in Dakar Regional Bureau		X		
25	WFP operations in Senegal		X		
26	Office of the Executive Director		X		
27	REACH		X		
	TOTAL	6	21	15	

* S = satisfactory; P = partially satisfactory; U = unsatisfactory.

** Under management review at 31 December 2012.

Note: Audit reports in grey are or will be disclosed on WFP's public website: – www.wfp.org/about/oversight/audit-inspection-reports – in line with the Policy for Disclosure of Oversight Reports approved by the Board in November 2012.

ANNEX III

Tables A and B show reports that were issued after the Board approved the Policy for Disclosure of Investigation Reports and that can therefore be requested by Permanent Representatives. Each request for disclosure 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 appropriately considered before a report is made available to a Permanent Representative.

TABLE A: 2012 INVESTIGATION REPORTS ON CONTROL WEAKNESSES			
	Report no.	Report name	Issue date
1	OSI/19/12	Headquarters – control weaknesses	5 April 2012
2	OSI/21/12	CO Indonesia – control weaknesses	8 June 2012
3	OSI/24/12	CO Swaziland – control weaknesses	28 June 2012
4	OSI/33/12	CO Tajikistan – control weaknesses	26 July 2012
5	OSI/36/12	Headquarters – control weaknesses	30 November 2012

CO = country office

TABLE B: 2012 INVESTIGATION REPORTS ON MISCONDUCT			
	Report no.	Report name	Issue date
1	OSI/01/12	CO Somalia – procurement fraud – short-term contractor	05 January 2012
2	OSI/02/12	CO DRC – theft of food items – longer-term staff	12 January 2012
3	OSI/03/12	CO DRC – harassment – longer-term staff	03 February 2012
4	OSI/05/12	CO Bolivia (Plurinational State of) – theft of food items – longer-term staff	13 February 2012
5	OSI/06/12	CO Bolivia (Plurinational State of) – theft of food items – longer-term staff	13 February 2012
6	OSI/13/12	CO Nicaragua – harassment – longer-term staff	27 February 2012
7	OSI/14/12	CO Nicaragua – financial fraud – longer-term staff	28 February 2012
8	OSI/15/12	CO Nicaragua – financial fraud – longer-term staff	28 February 2012
9	OSI/04/12	CO Kenya – procurement fraud – longer-term staff	16 March 2012
10	OSI/08/12	CO Kenya – procurement fraud – longer-term staff	16 March 2012
11	OSI/09/12	CO Kenya – procurement fraud – longer-term staff	16 March 2012
12	OSI/11/12	CO Kenya – procurement fraud – longer-term staff	16 March 2012
13	OSI/16/12	CO Kenya – procurement fraud – longer-term staff	16 March 2012
14	OSI/12/12	CO Kenya – procurement fraud – longer-term staff	27 March 2012
15	OSI/17/12	Headquarters – conflict of interest – short-term contractor	05 April 2012
16	OSI/18/12	Headquarters – conflict of interest – longer-term staff	05 April 2012
17	OSI/10/12	CO Pakistan – fraud – longer-term staff	04 June 2012
18	OSI/20/12	CO Indonesia – mismanagement – longer-term staff	07 June 2012
19	OSI/23/12	CO Swaziland – theft of food items – short-term contractor	27 June 2012

TABLE B: 2012 INVESTIGATION REPORTS ON MISCONDUCT			
	Report no.	Report name	Issue date
20	OSI/27/12	CO Tajikistan – theft of food items – short-term contractor	28 June 2012
21	OSI/31/12	CO Tajikistan – theft of food items – longer-term staff	26 July 2012
22	OSI/32/12	CO Tajikistan – theft of food items – longer-term staff	26 July 2012
23	OSI/34/12	CO Afghanistan – entitlement fraud – longer-term staff	29 August 2012
24	OSI/35/12	CO Afghanistan – entitlement fraud – longer-term staff	19 September 2012
25	OSI/25/12	CO Cameroon – fraud – longer-term staff	24 September 2012
26	OSI/22/12	CO Indonesia – mismanagement – longer-term staff	26 September 2012
27	OSI/28/12	Headquarters – procurement fraud – longer-term staff	09 October 2012
28	OSI/29/12	Headquarters – procurement fraud – longer-term staff	10 October 2012
29	OSI/37/12	CO Afghanistan – harassment – longer-term staff	08 November 2012
30	OSI/38/12	CO Kenya – harassment – short-term contractor	22 November 2012
31	OSI/30/12	Headquarters – procurement fraud – longer-term staff	29 November 2012
32	OSI/43/12	CO Liberia – procurement fraud – short-term contractor	10 December 2012
33	OSI/42/12	CO Ethiopia – fraud – longer-term staff	11 December 2012
34	OSI/39/12	Headquarters – harassment – longer-term staff	18 December 2012
35	OSI/40/12	Headquarters – harassment – longer-term staff	20 December 2012
36	OSI/46/12	CO Sudan – theft of food items – short-term contractor	20 December 2012
37	OSI/41/12	Headquarters – harassment – longer-term staff	21 December 2012
38	OSI/45/12	CO Sudan – fraud – short-term contractor	21 December 2012
39	OSI/47/12	CO Cambodia – procurement fraud – longer-term staff	31 December 2012
40	OSI/44/12	CO Kenya – theft – longer-term staff	31 December 2012
41	OSI/48/12	CO Afghanistan – theft of food items – longer-term staff	31 December 2012

CO = country office

DRC = Democratic Republic of the Congo

ANNEX IV

2012 INSPECTIONS			
	Report no.	Inspection	Issue date
1	N/A	Review of private mobile telephone usage at Headquarters	N/A
2	01/2012	Small country offices in the Middle East, North Africa, Eastern Europe and Central Asia (OMC) region	21 December 2012

Note: Inspection reports in grey are or will be disclosed on WFP's public website – www.wfp.org/about/oversight/audit-inspection-reports – in line with the Policy for Disclosure of Oversight Reports approved by the Board in November 2012.

ACRONYMS USED IN THE DOCUMENT

CO	country office
DRC	Democratic Republic of the Congo
ICT	information and communications technology
IT	information technology
LESS	Logistics Execution Support System
PASport NG	Personnel Action System Portal New Generation