



World Food
Programme

Office of the Inspector General

Annual Session of the Executive Board

2018 Annual Report of the Inspector General

SAVING
LIVES
CHANGING
LIVES

June 2019

The Inspector General's Assurance Opinion for 2018

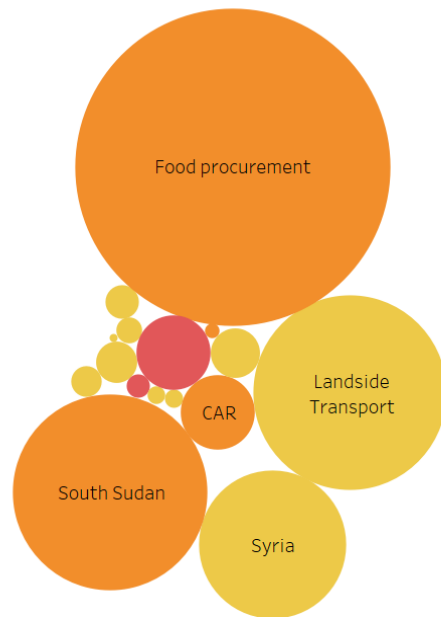
Based on the risk-based oversight activities performed and reported in 2018, no material weaknesses were identified in the governance, risk management or control processes in place across WFP that would seriously compromise the overall achievement of WFP's strategic and operational objectives.

This assurance opinion does, however, identify governance, risk management and control practices in individual assurance engagements that require improvement. The practices requiring improvement do not rise to a level of institutional significance that would seriously compromise WFP's achievement of its overall objectives.

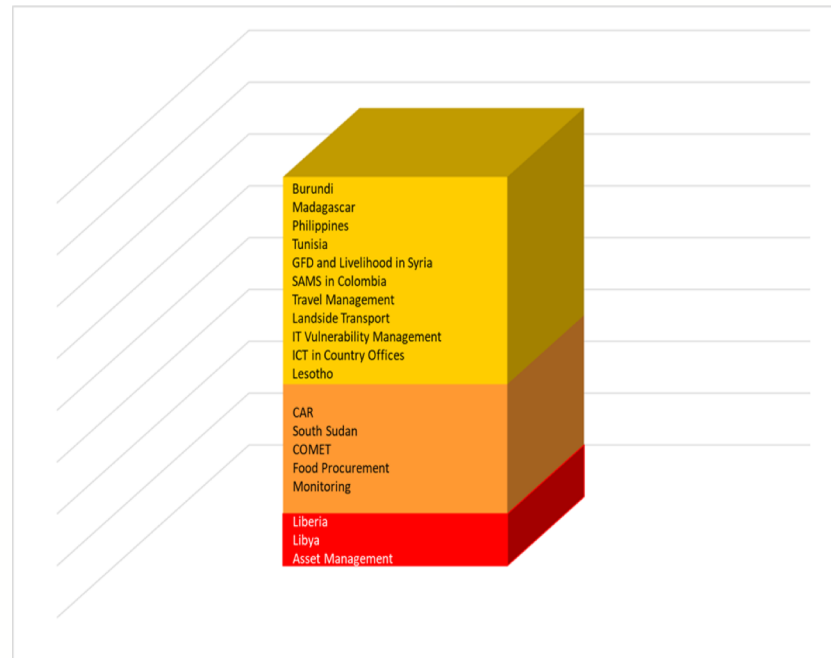
Overview of the 2018 Activities Supporting the Assurance Opinion

Despite issuing 3 unsatisfactory internal audit ratings in 2018, these audits were in areas not considered material in the overall spend of WFP or in operational significance. The chart below shows the relative size of the activities for all internal audits performed, classified by rating.

Expenditures of Entities Audited
(in USD, million)



Rating
 ■ Partially Satisfactory - Some Improvement Needed
 ■ Partially Satisfactory - Major Improvement Needed
 ■ Unsatisfactory



- ✓ 11 Country Offices
- ✓ 6 Thematic/processes
- ✓ 3 IT audits
- ✓ 2 advisories
 - blockchain
 - NGO risks and oversight
- ✓ 3 PIRs
 - staff entitlements
 - vendor information management
 - general food distribution in South Sudan
- ✓ 2 inspections
 - Uganda
 - Djibouti

51% of WFP 2018 spend

11
Partially Satisfactory with some improvement needed
5
Partially Satisfactory with major improvement needed
3
Unsatisfactory
0
Satisfactory

2018 Assurance Activities

Operational In-Country Projects

Governance and Structure

- Included in all Operational In-Country Projects

RBB

RBC

Delivery

- Country Capacity Strengthening (follow-up)
- Landside Transport Monitoring

- Philippines

- Tunisia
- Libya
- Syrian Arab Republic

Resource Management

- Asset Management
- Duty Travel Management
- Staff Entitlements (PIR)

RBD

RBJ

Support Functions

- Food Procurement
- Vendor Information Management (PIR)

- Central African Republic
- Liberia

- Madagascar
- Lesotho

External Relations, Partnerships and Advocacy

- NGO Risk and Oversight (Advisory)

RBN

RBP

Information Technology

- COMET
- IT Vulnerability Management
- ICT in Country Offices
- Blockchain (Advisory)

- South Sudan
- South Sudan (PIR)
- Burundi
- Uganda (Inspection)
- Djibouti (Inspection)

- Smallholder Support – Colombia

Focus Areas from 2018 Assurance Activities

- 1 Challenges were noted in the direction and prioritization of efforts to implement and strengthen controls.
(Assurance Reports: Food Procurement, Asset Management, Duty Travel, COMET, ICT in Country Offices, Central African Republic, Libya, Burundi, Madagascar, Liberia, Lesotho)
 - Complexity of WFP’s portfolio challenged country offices to adequately resource each activity.
 - Capacity and resources were in some cases insufficient to establish controls and procedures expected.
 - Insufficient corporate guidance was noted to direct efforts to strengthen and mature essential controls.
 - Risk management continues to mature, yet accountabilities lacked clarity and coordination.
 - Systems and technology not streamlined or automated and data integrity and system integration are needed.
 - Weak monitoring practices impede the identification and timely mitigation of issues, lesson learning and establishment of accountability.
 - Restricted access to food delivery sites further complicates WFP’s ability to monitor these activities,

- 2 Management of cooperating partners continues to be identified as a significant risk.
(Assurance Reports: NGO Risk and Oversight Advisory, Monitoring, South Sudan (PIR), Libya, Liberia, Syrian Arab Republic)
 - The contracting and due diligence over cooperating partners, their guidance, monitoring and performance management is insufficient given the reliance placed on them for delivery and their large number.

Focus Areas from 2018 Assurance Activities

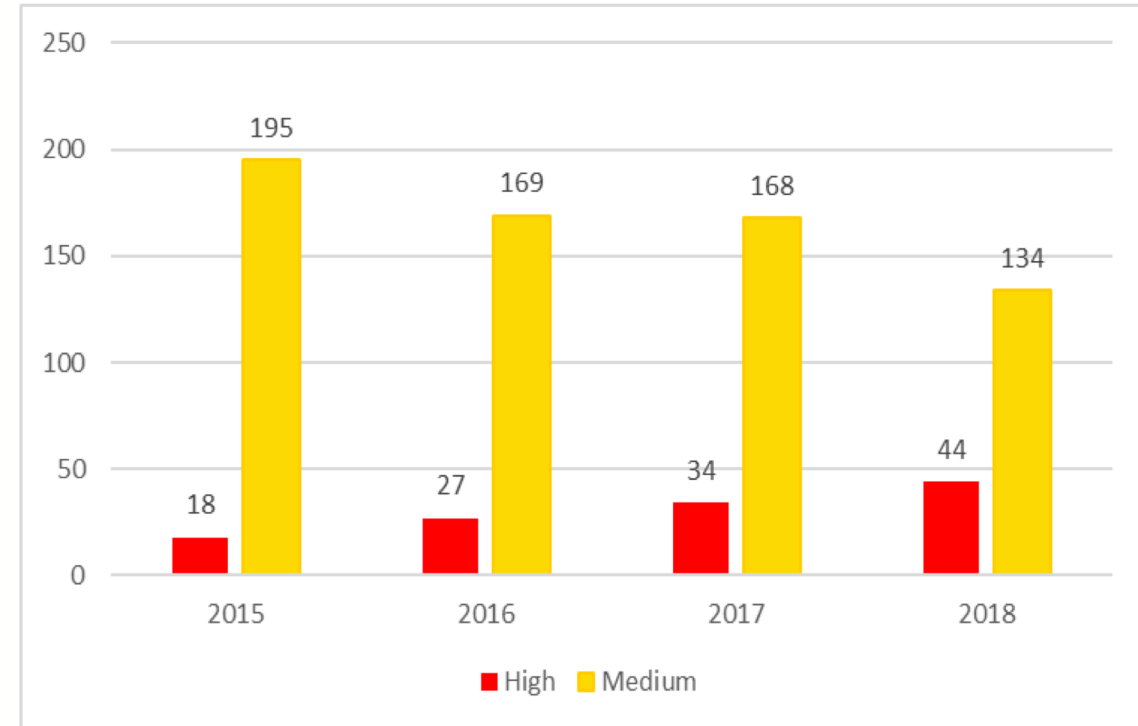
- 3 Beneficiary management is not robust enough to ensure integrity of the process.
(Assurance Reports: Philippines, Liberia, Libya, South Sudan, Syrian Arab Republic, South Sudan (PIR), Uganda and Djibouti (Inspections))
 - From targeting to registration, verification and distribution, controls should be tightened to ensure the integrity of WFP's delivery to the most vulnerable.

- 4 Concerns were identified regarding the efficiency of the supply chain.
(Assurance Reports: Central African Republic, South Sudan, Liberia, Libya, Syrian Arab Republic, Landside Transport, Food Procurement)
 - Key controls were found insufficient for due diligence and evaluation of transporters, food quality and safety and inspections or were absent relating to the rotation of personnel in procurement and logistic positions.

- 5 Controls over Cash-Based Transfers (CBT) have not matured in line with the development of CBT operations.
(Assurance Reports: Burundi, Liberia)
 - The pace of adaptation to the learnings and risks identified, including through advisory and audit assignments, is relatively slow.

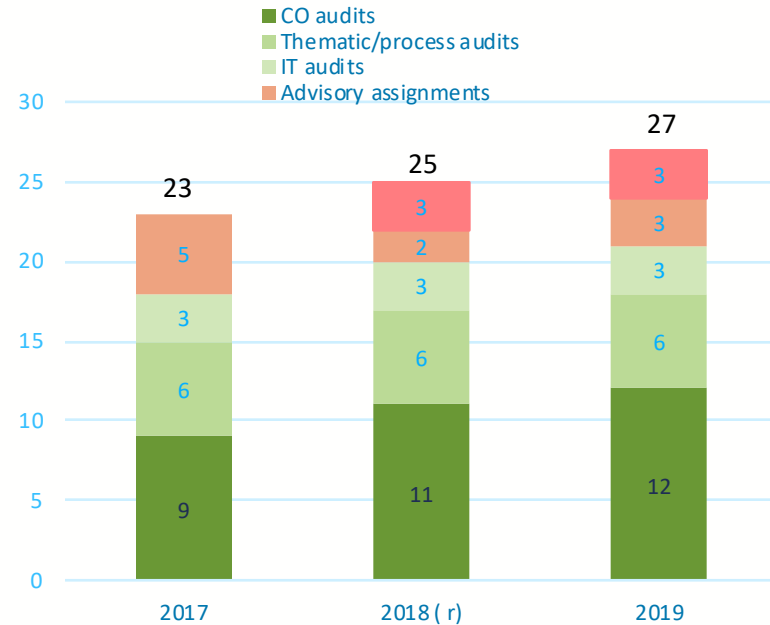
Status of Agreed Actions Outstanding

- ✓ 12% decrease in the number of outstanding agreed actions compared to 2017 – with management implementing and closing 171 agreed actions.
- ✓ Comparatively, OIGA performed 7 more assurance projects in 2018, yet issued 37 fewer recommendations.
- ✓ However, high-priority recommendations not yet implemented have increased.
- ✓ Average age of overdue recommendations reaches an average of 540 days.
- ✓ 4 long-outstanding recommendations were closed with management accepting the risk.

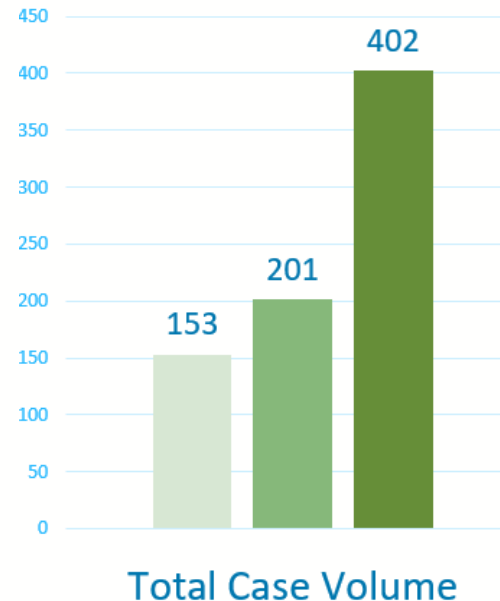


Overall OIG Activity Increased in 2018

OIGA Delivery 2017-2019



OIGI delivery 2016-2018



An increase of activity across the board:

- OIGA increasing assurance coverage resulting from budget increase and addition of PIRs in 2018.
- OIGI’s investigation volume has also grown to address rising complaints and resumption of inspections in 2018.

Quality Assurance activities, an external reconfirmation of professionalism and quality.

External Quality Reviews in 2018:

- External validation of OIGA’s compliance to the standards;
- Reassessment of OIGA’s capability against internationally recognized benchmarks;
- External review of OIGI’s capacity to investigate sexual misconduct.

Budget mostly comprised of staff costs:

40 staff in 2018: a gender balanced and diverse staff pool, all professionally certified (Fraud, Internal Audit, IT, Accounting, Risk, Supply Chain, etc.).

OIG’s expenditure in 2018

	Amount (in USD million)
Staff costs	6.1
Consultants	0.4
Commercial contracts	0.8
Travel	0.8
Other (IT, licences, training, etc.)	0.4
Total	8.5

Office of Inspections and Investigations

The Office of Inspections and Investigations (OIGI) has experienced a significant increase in complaint volumes to the Hotline in 2018, driving the need to streamline processes to gain efficiencies in the intake process and to add staff through supplemental funding approvals.

The department added two investigators in 2018 to end the year with 13 budgeted positions, with two additional positions to be added in each year in 2019 and 2020. However, increases in caseload continue and supplemental funding above that already received has been requested.

The increased size of the department not only allowed OIGI to perform more investigations, but also to conduct two Inspections, in Uganda and Djibouti, that supported OIG's assurance opinion and led to the referral of numerous matters to OIGI for assessment and investigation. One additional Inspection of a financial service provider supporting the cash-based transfer process was also performed and OIGI is planning to perform an Inspection in Yemen in 2019.

The following pages show the case activity trends from 2016 to 2018 as well as the types of investigations performed and losses identified through fraud-related investigation activities.

OIGI Complaint Activity Trends 2016 - 2018

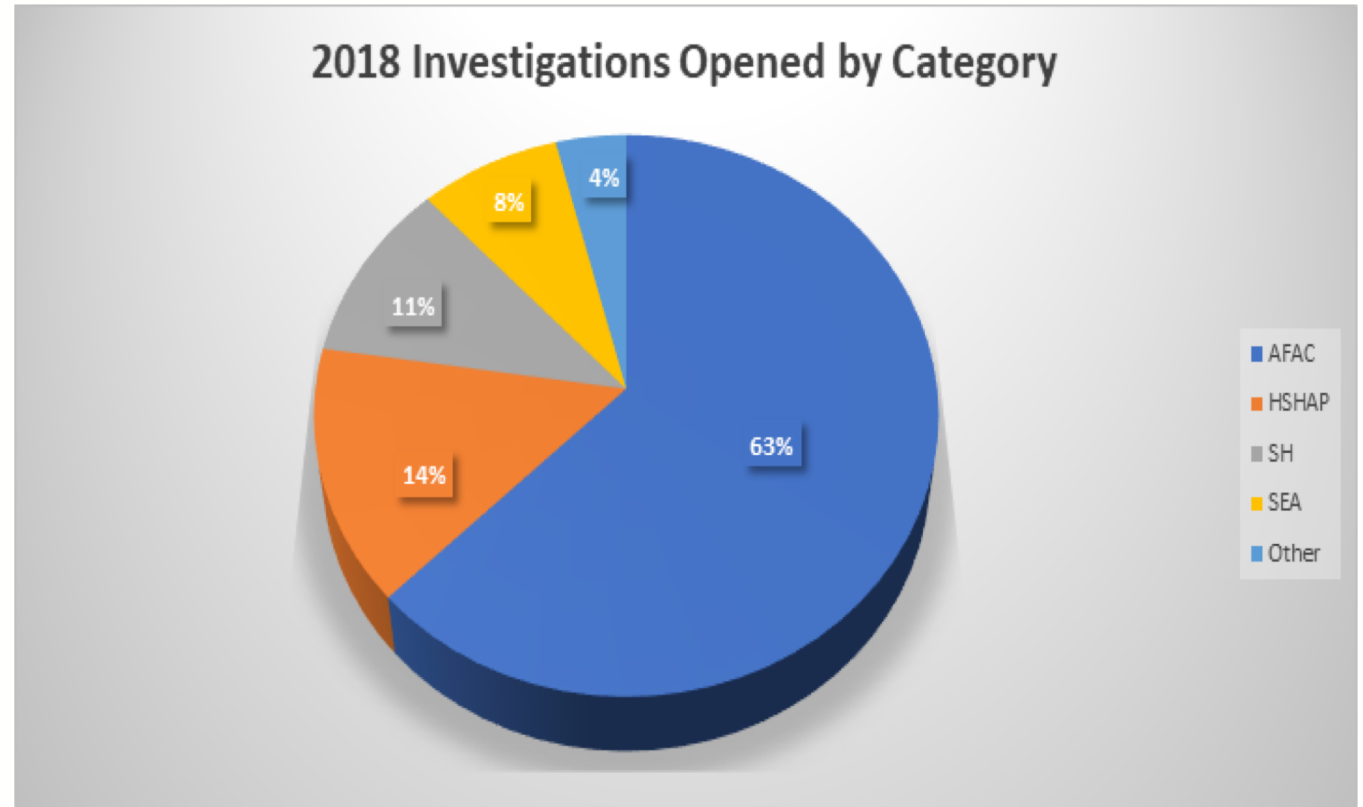
Case Volume Trends



Investigations

In addition to the information contained in the OIG assurance opinion, the OIG Annual Report expands on the Investigative activities of the Office of Inspections and Investigations (OIGI) that are separate from the assurance activities of internal audit. In this section of the Report, we list all investigations that were substantiated by region.

Despite the increase in reporting of misconduct resulting from changes in WFP’s Harassment, Sexual Harassment, Abuse of Power and Discrimination Policy as well as external media interest in the area of sexual harassment – the majority of OIGI investigations continue to focus on fraud and corruption.



Fraud Investigations

- ✓ 35 of the 53 investigations completed in 2018 were fraud-related, of which 20 were substantiated.
- ✓ 14 of the fraud-related investigations had loss amounts that could be documented with evidence.
- ✓ The most significant losses related to acts committed by cooperating partners through the submission of false or unsupported invoices or theft of food from school feeding activities made possible through the over-statement of school enrollments.
- ✓ Employee fraud in medical and travel reimbursements and theft of petty cash was also identified. All employees found to have committed fraud are reported to HR for action.

Summary of Fraud Losses Substantiated by Investigations	
Fraud and Corruption Cases by Type	US Dollars
Fraudulent activities – WFP Personnel	1 274
Fraudulent activities – Vendors	7 940
Fraudulent activities – Cooperating Partners/NGOs	723 573
Food diversion – Cooperating Partners/NGOs	14 500
Total	747 287

- ✓ Vendor fraud included collusion with employees, and all vendors and cooperating partners found responsible for fraudulent activities are reported to the Vendor Sanctions Committee and management for action - including disbarment and recovery of losses.