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Office of the Inspector General Annual Report 2017

Executive Board Annual Session Rome, 18-22 June 2018

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Annual Report of the Inspector General

Executive Summary

The Office of the Inspector General of WFP submits its annual report, for the year ended on the 31 December 2017, to the Executive Board.

The report provides an oversight perspective on WFP's governance, risk management, and control processes and an overview of the activities of the Office of the Inspector General, including the Office of Internal Audit and the Office of Inspections and Investigations.

Decision 19 June 2018

The Board takes note of the "Annual report of the Inspector General" (WFP/EB.A/2018/6-F/1) and notes that based on the oversight work performed and reported in 2017, no significant weaknesses were identified in the governance, risk management or control processes in place across WFP that would seriously compromise the achievement of WFP's strategic and operational objectives.

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

Focal Point:

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Assurance Statement

Mission: The mission of the Office of the Inspector General (OIG) is to provide assurance on governance, policy, risk, resources, operational and accountability issues through independent and objective oversight services; and to facilitate WFP's adoption and implementation of best United Nations and private-sector practices to enable managers to provide assurance on their work.

Scope of work: WFP's management is responsible for designing and maintaining effective governance, risk management, and control processes to ensure its objectives are achieved. The Office of the Inspector General provides assurance, and an opinion, to the Executive Director, the Audit Committee and the Executive Board on the adequacy and effectiveness of these processes.

The opinion is based on OIG's audits, advisory and follow-up reviews completed between 1 January and 31 December 2017. All audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing as well as the OIG Charter.

To formulate its opinion, OIG also considered, as appropriate, other sources of evidence: work conducted by the External Auditor and the United Nations Joint Inspection Unit in 2017; the status of implementation of internal audit agreed actions as at 31 December 2017; and systemic issues noted in investigations and proactive integrity reviews completed in 2017. OIG also relies in part on management to advise it of all known instances of potential control failures, irregularities, investigations, business conduct matters, or regulatory non-compliance that could be material to the control environment.

We believe the work conducted by the Office of Inspector General provides a reasonable basis for our opinion.

Risk-based assurance plan: The annual assurance plan does not include engagements for every business process, legal entity, or organization unit of WFP. Instead, our assurance, advisory, and investigative services were selected based on a judgmental analysis of material risks to the WFP's objectives. Furthermore, our work plan is not designed to provide a comprehensive opinion on the governance, risk management, and control processes for any particular global programme or process with regard to WFP's strategic, financial, operational, or compliance objectives.

Opinion

OIG's annual overall assurance opinion provides assurance that, based on the oversight work performed and reported in 2017, no significant weaknesses were identified in the governance, risk management, and control processes in place across WFP that would seriously compromise the achievement of WFP's strategic and operational objectives.

The overall opinion does however identify governance, risk management, and control processes in individual audit engagements that require improvement; details are available in para 31-42. These processes requiring improvement do not rise to a level of significance at the institutional level that would seriously compromise WFP's achievement of its overall objectives.

Kiko Harvey
Inspector General
March 2018

Overview of the Office of the Inspector General

Mandate and Operations

OIG 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 2015, forms an annex to the Financial Rules and is communicated to the Executive Board.

OIG carries out its internal audit function in compliance with the International Standards for the Professional Practice of Internal Auditing (“the Standards”) 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 Inspector General performs the functions of Chief Audit Executive and Inspector General.

OIG submits all internal audit, inspection and investigation reports to the Executive Director. A public disclosure policy approved by the Board stipulates the disclosure of internal audit and inspection reports on a public website, with limited exception; reports disclosed in 2017 are listed in Annex 1a. The Inspector General also submits quarterly reports to the Executive Director and the Audit Committee, and this annual report to the Executive Board.

OIG expresses an opinion based on the oversight work performed and reports whether any significant weaknesses were identified in the governance, risk management, and control processes in place across WFP that would seriously compromise the achievement of WFP’s strategic and operational objectives; the overall opinion does however identify governance, risk management, and control processes in individual audit engagements that require improvement. These processes requiring improvement do not rise to a level of significance at the institutional level that would seriously compromise WFP’s achievement of its overall objectives.

Statement of Independence

OIG 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 and the assurance opinion.

Assurance in WFP

To achieve its goal of providing assurance on WFP’s governance, risk management, and control processes, OIG conducts audits covering a mix of business units and processes; these include country offices, headquarters divisions and units, and organization-wide processes.

Further assurance derives from advisory work and assignments, as well as two proactive integrity reviews (PIRs), two follow-up PIRs from work performed in prior years, and a number of investigative and control weakness reports.

Further details on audit and other assurance products are provided in the following sections.

Activities in 2017

The services provided by OIG in 2017 and prior years are summarized in Table 1. The scope covers all WFP systems, processes, operations and activities. Listing of all reports issued in 2017 is provided in the tables in Annexes 1 and 2.

TABLE 1. OIG ACTIVITIES, 2015-2017						
Year	Internal Audit		Investigations		PIRs	Inspections
	Audit Reports Issued	Advisory Services ¹	Registered Cases	Completed Cases	Issued reports	Issued Reports
2015	18	8	69	73	0	2
2016	20	3	43	50	5	0
2017	18	5	55	40	4	0

Reports of all the audit missions completed in 2017 under the annual revised work plan were issued prior to this annual report (see Annex 1).

In 2017, 55 investigation cases were registered and 40 completed (see table 8 below).

Resources

The budget allocated to OIG in 2017 decreased from USD 7.9 million in 2015 to USD 7.8 million in 2016, and USD 7.6 million in 2017. Staff cost for 2017 totalled approximately USD 5.0 million, consultancy USD 0.8 million, long-term agreements consultancy USD 0.5 million, and travel USD 0.5 million. The remaining amounts included administrative, training, and other operational costs.

TABLE 2. OIG BUDGET (USD thousands)			
	2015	2016	2017
Budget Allocation	7 961	7 859	7 631
Actual Expenditures	7 782	7 584	7 109

The numbers of staff positions remained the same since 2015. As at 31 December 2017, six professional staff positions were vacant, all under recruitment (two P3 and one P2 Investigations Officer, one P3 and two P2 Internal Auditors).

As at the end of 2017 the team of professionals includes citizens of 18 countries. All have relevant internal audit/ investigations certifications such as Certified Internal Auditor (CIA), Certified Public Accountant (CPA) or Chartered Accountant (CA), and other certifications supporting the audit and investigation activities (such as Certified Fraud Examiner (CFE) and Certified Information Systems Auditor (CISA)).

¹: In addition to the activities reported here, the Office of Internal Audit (OIGA) provided advice and support to the Committee on Commodities, Transport and Insurance (CCTI); provided support requested by management; coordinated and participated as observer in various committees at headquarters; and engaged with various external bodies on behalf of WFP. Other advisory activities include advising WFP management on the single audit principle, ad-hoc audit clauses and donor verifications.

TABLE 3. NUMBER OF STAFF - OIG, 2015—2017			
	2015	2016	2017
Professional	29	29	29
General Service	5	5	5
Total	34	34	34

Overview of Activities of the Office of Internal Audit

Internal Audit and Advisory Services

The Office of Internal Audit (OIGA) provides the Executive Director with independent and objective assurance and advisory services. These services are designed to improve WFP's operations and help WFP accomplish its objectives by systematically evaluating governance, risk management, and control processes and suggesting improvements to them. As part of OIG's process for providing assurance to the Board and the Executive Director, 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 for achieving WFP's goals and objectives.

In 2017, OIGA continued in the implementation of the Internal Audit Strategy, developing tools and skills in the areas of fraud, and audit of projects or cooperating partners. It also introduced a new audit rating for its audit reports, based on a harmonized methodology developed at the inter-agency level. It worked on a revised audit template to better articulate the linkage of audit findings and WFP's risk management and provide further balanced reporting.

Risk-based assurance plan

OIGA's 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. As required by the Standards, a documented 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/auditable entities identified, and using these results to select areas to be audited.

OIGA has developed an audit universe, identified 180 organizational entities (of which 83 are classified as field entities, and 83 comprise global headquarters entities, processes, regional bureaux and liaison offices, and 14 are ongoing corporate emergencies). A separate assessment also detailed the IT audit universe (60 entities, processes and applications). All WFP auditable entities were assessed according to the impact of the consequences on WFP operations and the probability of the risk occurring. These were ranked on a three-point scale – high, medium and low. The risk factors used in the risk assessment were amended following consultation with regional bureaux and are classified either as indicators of the impact of the risk should it materialize or the likelihood of the risk occurring. Input was obtained from major stakeholders (regional directors, divisional directors, and members of the Executive Management Group) on the strategic risks and key organizational developments and adjustments made in consideration of the input received.

OIGA's assurance plan was designed to focus on the most significant risks as applied to the audit risk universe. OIG's work plan is not designed to provide a comprehensive opinion on the governance, risk management, and control processes for any particular global programme or process with regard to WFP's strategic, financial, operational, or compliance objectives. In accordance with its Internal Audit Strategy, and with consideration of resources available, OIG covers the top ten risk areas identified by its annual risk assessment over a period of two years by carrying out audits of specific processes and themes.

Key issues identified in 2017

The 2017 assurance work plan provided balanced coverage of field entities and headquarters processes. 18 assignments were completed in 2017, of which six were thematic and process audits, nine were field operations audits and three were IT audits. Details of audits carried out and reports issued in 2017 are provided in Annex 1.

Each audit is rated according to harmonized ratings for United Nations funds and programmes. Table 4 shows the number and ratings of audit reports issued for 2017.

TABLE 4: RATINGS FROM AUDIT ENGAGEMENTS IN 2017	
Rating	Audit Reports/Engagements
Satisfactory	2
Partially Satisfactory	15
Unsatisfactory	-
Not Rated	1
Total	18

In its risk-based definition of areas to audit, OIGA focuses on critical risks and processes, where its assurance and identification of corrective and mitigating actions have the most added value and impact. Engagements are selected based on an analysis of material risks to WFP's objectives, and the distribution of ratings is a reflection of OIGA's risk approach, not WFP's performance overall.

This section presents an overview of key issues emerging from assurance assignments carried out in 2017. The focus is on identifying key risk areas and relevant trends, and where appropriate describing further assurance work planned for 2018. The summaries provided below represent the most significant issues noted.

OIGA noted an overall positive trajectory in 2017 audit ratings where no unsatisfactory report was issued, and satisfactory or improved results were noted in emergency operations audited in Somalia, Yemen, and Nigeria. As WFP's resources remain extremely stretched in the field, managing new initiatives such as the full implementation of the Integrated Road Map (IRM) as well as unprecedented and sustained numbers of L3 emergencies, has had an impact on the internal controls of field operations. This has become OIGA's main concern as the capacity of the organization to meet its other ambitious objectives, absorb additional funding, manage the activities of cooperating partners, and address identified initiatives remains a challenge as illustrated by OIGA's findings below.

WFP invested significant efforts in 2017 in the implementation of the IRM, looking to gain transparency and effectiveness with the change management process. OIGA's audit of the pilot phase identified an underestimation of resources required in countries transitioning to the IRM, and limited time allowed for the validation of underlying assumptions, course correction, and identification of potential design issues before the second wave roll-out of 53 country offices in January 2018. As seen from the pilots, a flexible implementation approach resulted in a variety of differing structures, roles and responsibilities. We also observed an aggregation of activities in country strategic plans while tools, processes and guidance were in development. These differences in structure may prove challenging in the long run for second line monitoring and oversight functions, as well as for achieving efficiencies that could be available with more standard country environments.

The audit found that in the short-term, the IRM objective of maximizing operational effectiveness is challenged by the complexity and reduced flexibility of the processes associated with the budgeting and cost reporting structure, and by some methods of charging costs and aggregating programmatic activities, which in some cases compromised the objectives of transparency and line-of-sight on the use of resources and linkages to results. In OIGA's view, major effort and attention continue to be needed to address gaps remaining and to promptly manage risks to ensure that the Integrated Road Map delivers on its intended objectives. Management's engagement throughout the audit process was positive, and efforts were made to proactively address issues as they arose.

As raised in the 2016 assurance opinion, workforce planning, alignment of workforce structures to strategies, and assessing and sourcing the right skills, remain a key need in 2017, especially as countries are rolling out the IRM. These issues were identified as high risk in OIGA's report on Human Resource Management in Country Offices in December 2016 and are still pending implementation.

While the assurance opinion of 2016 highlighted deficient country capacity strengthening implementation, actions were still pending in that area and some of the weaknesses noted in 2015 resurfaced in the audit of the IRM pilot phase implementation. Similarly, the Beneficiary Management and Food for Assets audits highlighted misalignment between corporate commitment and resource allocation for implementation to achieve the planned results. That misalignment was also evident with the management of the SCOPE system, identified as an essential element for beneficiary management and cash-based transfers (CBTs), yet receiving limited management and strategic direction and scattered resources. This poses risk to the credibility and reputation of the organization if not resolved as WFP relies on these initiatives to achieve its objectives.

In developing a Fraud Risk Assessment, as well as in its audit of the operationalization of enterprise risk management (ERM), OIGA highlighted the need to develop key risk indicators to analyse and monitor WFP's exposure to risks in key areas. Weak data quality and integration, as concluded in an audit of WFP's management performance indicators and systems and in several other country and process level audits, challenges WFP's current capacity to establish robust automated performance and risk monitoring and results. The same applied for the monitoring of exceptions and incidents in the area of IT security, food quality and safety, cash-based transfers, supply chain and fraud detection. This risk increases as the organization is scaling up, with the need for more efficient, automated controls to monitor compliance, mitigate risk and assess performance. WFP's digital priority requires strong reliance on data integrity and security, as well as disciplined data entry and quality controls.

In the IT area, OIGA's audits identified the need for a structured approach to assess the criticality and risks of system control issues found and the cost-benefit of their mitigation, thus impacting the ability to guide priorities and resource allocation. Following OIGA's work on cybersecurity in 2017, WFP management approved significant investment in this area, with projects under way to strengthen this control environment. OIGA has also identified issues with strategic planning, resourcing and prioritization in supply chain applications, GRC implementation, SCOPE management and data management that will require attention.

Gaps in the definition of management oversight responsibilities and roles, as noted by both internal and external auditors in their 2016 reports, are yet to be defined. The "second line of defense" responsibilities remained dispersed, with a lack of clarity on where it is exercised, who exercises it, and how it is exercised, and unclear accountability across the organization in 2017. The same lack of clarity was noted for the compliance function in several countries. Areas for improvement identified in the audit of the operationalization of WFP's enterprise risk management require focus in the year to come to start returning results. There remains an opportunity to define WFP's risk tolerance levels and thresholds in order to support a cost-benefit analysis of the need for stronger controls.

Controls in the CBT area were still developing as WFP was gaining further understanding and exposure through its implementation of the CBT modality in various contexts and with various partners. OIGA's work on supporting WFP in determining sufficient "minimum controls" applicable across CBT environments identified challenges remaining in the implementation of reconciliations of data from various sources (from beneficiary lists to payment lists, cash transferred and redeemed benefits, etc.). In view of the heavy transaction load, data integration and automation of controls remains both a challenge and an opportunity. However, the opportunity to draw on the solid experience gained in the well-resourced and capacitated operations of the Syria+5 emergency has not yet been fully seized. Several less visible operations reviewed in 2017 were struggling in their implementation and monitoring of CBTs.

The management of beneficiary lists and verification processes was not consistent or systematic. Although WFP was increasingly implementing secure and reliable processes for capturing acknowledgment by beneficiaries of receipt of benefits, a large portion of activities continued to rely upon potentially unreliable paper-based distribution records. The absence of detailed corporate guidelines and objectives, along with challenges to ensure compliance by WFP's cooperating partners, allowed for inconsistencies in the verification of beneficiaries. A risk appetite statement with acceptable rates of inclusion and exclusion error was not available to guide and inform management decisions. Some country office audits also highlighted uncertainty in the targeting of beneficiaries and lack of clear evidence that WFP reaches the intended population, limitations inherited from the environment and applied to WFP's programme implementation, and a lack of clear guidance on thresholds and acceptable levels of risk to support country-level decision making.

Both country office and thematic audits conducted in 2017 raised some concern on WFP's targeting of beneficiaries, as well as monitoring for evidence-based results and impact.

The Office of Inspections and Investigations (OIGI) investigative reports are focused on substantiating allegations of fraud and corruption, violations of key policies, lack of supervisory controls, and breakdowns in the segregation of duties. In general, OIGI's work emphasized the need to implement and enforce existing controls rather than developing new controls. However, investigations and PIRs involving vendors and non-governmental organizations (NGOs) have highlighted WFP's need to improve the selection, management and monitoring of its partners over performance, contract adherence, and governance capabilities. Management has not yet fully implemented the actions agreed in the audit of WFP Management of NGO Partnerships (issued in October 2016) with most actions postponed to 2018, and the audit of WFP's Procurement of Goods and Services (issued in June 2016) with most actions overdue. OIG will concentrate more attention on these areas in future years

Audit Agreed Actions

Internal audits recommend actions for overcoming weaknesses found in the audited entity's processes. These actions are discussed and agreed with management and addressed to the entity's manager or corporate director. The numbers and ratings of agreed actions from internal audit reports issued in 2017 are provided in Table 5.

TABLE 5: NUMBERS AND RATINGS OF 2017 AUDIT AGREED ACTIONS

Rating	Definition ²	Number of agreed actions issued in 2017
High Risk	Issues or areas arising relating to important matters that are material to the internal control system. The matters observed might be the cause of a non-achievement of a corporate objective or result in exposure to unmitigated risk that could highly impact corporate objectives.	30
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.	154
Total		184

² Low risk issues are brought to management's attention but are not included in the final audit reports. OIG does not track implementation of low risk agreed actions through the standard system for monitoring of implementation of audit recommendations.

2017 resulted in a stable number of outstanding agreed actions, with a slight decrease in the high risk observations issued. Overdue high risk agreed actions relate to security assessments in the Syrian Arab Republic, data analytics and retailers' data in Lebanon, performance results monitoring for country capacity strengthening, and beneficiary targeting and registration in Yemen. As highlighted above, actions in some key areas such as country capacity strengthening or the management of NGO partnerships have seen their timeline of implementation delayed to 2018. Out of the 34 high risk actions open at the end of 2017, 28 (82 percent) require headquarters action.

TABLE 6: COMPARATIVE STATUS OF AUDIT AGREED ACTIONS

	High Risk 2016	High Risk 2017	Medium Risk 2016	Medium Risk 2017	Total 2016	Total 2017
Open at 1 January	18	27	195	169	213	196
Issued in the period Jan-Dec	37	30	145	154	182	184
Total	55	57	340	323	395	380
Closed in the period Jan-Dec	28	22	171	155	199	177
Outstanding	27	34	169	168	196	202
Of which: Reports that were overdue (beyond agreed implementa-	3	4	71	12	74	16



Overview of Activities of the Office of Inspections and Investigations

Investigation Services

The mission of the Office of Inspections and Investigations (OIGI) is to provide independent and objective oversight activities to protect the integrity and improve the efficiency and effectiveness of WFP's programmes and operations, as well as to detect and deter fraud, waste and abuse through the provision of inspection and investigation services.

Under WFP's vendor sanction policy, which was approved as a joint Directive on 15 December 2015 (Circular No. OED2015/022), the Vendor Sanctions Committee (VSC) was created. Following the establishment of the VSC in March 2017, OIGI requested the Committee to initiate sanctions proceedings against four vendors and two cooperating partners as a result of investigations completed.

OIGI has taken firm steps to ensure WFP achieves its commitment to provide safe and harmonious workplaces for its staff while maintaining a zero-tolerance for fraud, corruption, sexual exploitation and abuse, harassment, sexual harassment, and abuse of power. Applying a zero tolerance in these areas means a commitment by OIGI to investigate substantive claims of violations of WFP policies when reported to OIGI. Zero tolerance on the part of management means that appropriate disciplinary action will be taken when investigations substantiate the claims.

External Quality Review

In 2017, OIGI underwent an external quality review of its investigative function. The objective of the review was to ascertain the conformity of OIGI's procedures and practices with the WFP legal framework, the Uniform Guidelines for Investigations, generally accepted investigation standards and international best practices. This review also assessed the effectiveness and efficiency of OIGI's strategies, techniques, and tools, and identified opportunities to further enhance the quality and effectiveness of the OIGI investigation function.

The conclusion of the external quality review was that OIGI constitutes a mature investigative function, as confirmed by the high quality of its investigation reports, its focus on achieving results in the fight against fraud and corruption, as well as the recognition of some of its practices as best practices by the United Nations Joint Inspection Unit (JIU).

The Review Panel concluded that the WFP investigative policies, procedures and practices "generally conform" with the WFP legal framework, the Conference of International Investigators (CII) standards, and generally accepted investigation best practices.

Results of Investigative Work

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. Based on the findings of its investigations, OIGI recommends administrative or disciplinary action or highlights control weaknesses to management, who is then responsible for implementing actions and addressing control weaknesses. When an investigation results in evidence of criminal conduct, OIGI may recommend that the case be referred to the appropriate national authorities.

Under its governance framework, OIGI's ability to investigate fraud, corruption and collusion was enhanced through additional focus by OIGI through its proactive approach to investigations. The proactive integrity review was introduced by the department as a pilot programme in 2015 and was updated and operationalized in 2016. Four PIR reports were issued in 2017 and two additional PIR projects were completed with reports forthcoming in Q2 2018.

Out of 40 investigation cases completed by OIGI in 2017, 28 involved Anti-Fraud and Anti-Corruption (AFAC) policy violations and 12 concluded that other policies including harassment, sexual harassment and abuse of power (HSHAP) were violated. Note that reports for six of the investigations completed in 2017 were issued in 2018 and will be listed in the 2018 Annual Report of the OIG.

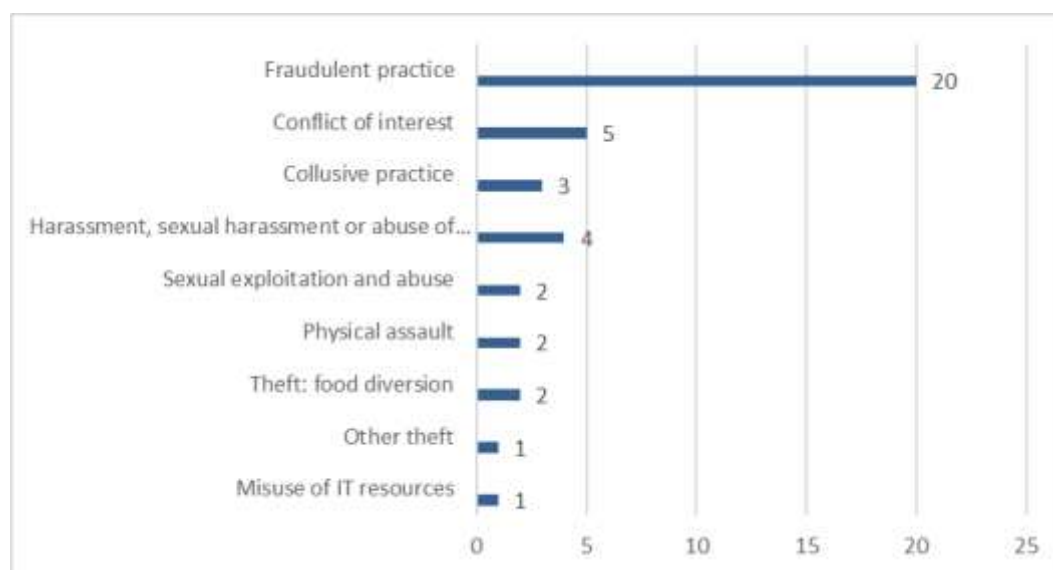
OIGI issued in total 46 reports in 2017: 34 investigation reports, five control weakness reports, three management letters, and four proactive integrity review reports.

Overall, OIGI continues to strive to improve the efficiency of the investigation process. In Q4 2017, OIGI started a project to evaluate its systems and processes in an effort to shorten the lifecycle of a case, from the point of intake through issuance of an investigation report or case closure memo.

Overall, OIGI continues to strive to reduce the time taken for investigations. In 2017, the average time to complete an investigation was 3.9 months, which is below the six months target set by the department. However, OIGI continues to evaluate its systems and processes to explore opportunities to shorten the entire lifecycle of a case which also includes the point of intake through issuance of an investigation report, which is much longer. OIGI completed 40 investigations in 2017 versus 50 in 2016; it substantiated 29 allegations in 2017 versus 23 in 2016; and issued 34 reports in 2017 versus 23 in 2016.

The following table presents the breakdown of complaints received by OIGI from intake to cases investigated:

Figure 1: Investigations Completed, by Case Type in 2017



Cases of fraud, misconduct and other matters

OIGI investigations completed in 2017 identified losses resulting from fraud and presumptive fraud. The amount of losses reported to management is detailed below:

TABLE 7: LOSSES IDENTIFIED BY CASES COMPLETED IN 2017				
Case No.	Case Summary	Presumptive Fraud (USD)	Amount of Loss (USD)	Recoveries (USD)
I 19/17	Fraudulent use of a prepaid fuel card by a WFP staff in the Central African Republic in collusion with several other persons working for the vendor.		6,160.00	0
I 07/17	Cooperating partner in Haiti engaged in fraudulent and collusive practices in WFP's cash-based		6,694.00	0
I 32/17	Cooperating partner in Iraq failed to provide support for labour-related and other invoices submitted for payment or reimbursement. This investigation was completed in 2017. The report was issued in 2018.	376,090.00		*

I 06/17A	Collusion of a WFP staff member in Kenya with others to defraud WFP and its beneficiaries in the diversion of cash-based transfers.		3 146	0
I 06/17B	Collusion of a WFP staff member in Kenya with others to defraud WFP and its beneficiaries in the diversion of cash-based transfers.		540	0
I 39/17	Irregularities identified in the purchase of airline tickets by a WFP staff in Mali. This investigation was initiated in late 2017 and completed in	21 253		0
I 27/17	Fraudulent Practices of a cooperating partner in Myanmar including the sale of food to beneficiaries that should have been provided free of charge, and false invoicing.		27 867	0
I 28/17	Fraudulent practices of a cooperating partner in Myanmar including the sale of oil to third par-		21 134	
I 40/16	Forgery and entitlement fraud by a WFP employee in South Sudan related to family air travel.		75 657	**
Total		397 343	141 198	

* CO is withholding payments due to the Cooperating Partner for more than USD 500,000 and will offset.

** Amount to be offset to the terminal emoluments of the staff member.

In addition to the fraud-related losses identified above, OIGI also completed investigations of other violations of the AFAC policy, including the entry of forged waybills into the Logistics Execution Support System (LESS) in Malawi to facilitate theft of maize from a cooperating partner's facility. Due to timely intervention by local police, no loss was sustained.

Several other investigations completed in 2017 included suspected fraudulent activities on the part of WFP vendors. Investigations where losses were identified are included in the table above. Other investigations where losses were not estimated or were not incurred include the submission of inaccurate or forged inspection certificates related to several food vendors in Turkey. These vendors were later referred to the WFP VSC for action.

Staff misconduct investigations generally focused on the failure to disclose actual or potential conflicts of interest in the conduct of job responsibilities or requests for personal favours from cooperating partners. In 2017, OIGI investigated five cases in the countries of Malawi, Central African Republic, Cameroon, Kenya, and Pakistan.

OIGI received and completed investigations on two cases of sexual harassment in 2017 involving WFP employees. Both investigations were substantiated and referred to management and the Human Resources Division for appropriate disciplinary action. One investigation report from the Democratic Republic of the Congo was issued in March 2017. The other report, involving an incident in Afghanistan, was issued in January 2018.

The following table presents the breakdown of complaints received by OIGI from intake to cases investigated:

TABLE 8: STATUS OF INVESTIGATION CASES, 2014-2017				
	2014	2015	2016	2017
Outstanding cases carried over from previous period (A)	15	21	17	10
Number of intake matters received (hotline, direct to OIG,	176	161	136	186
Referral to other offices (Human Resources, Country Offices and Regional Bureaux management, the Ombudsman)	(14)	(23)	(37)	(22)
Complaints not leading to formal investigations	(120)	(69)	(56)	(62)
Cases registered during the year (B)	42	69	43	55
Total Caseload (A+B)	57	90	60	65
Cases closed during the year	36	73	50	40
Outstanding cases at year endCases outstanding for more than 6 months	21 2	17 0	10 1	25 1

Protection from sexual exploitation and abuse

Following the appointment by the Secretary-General in 2016 of a Special Coordinator to strengthen the United Nations response to incidents of sexual exploitation and abuse (SEA), several initiatives to prevent and respond to allegations have emerged both at the inter-agency level and within WFP. This includes the implementation of a comprehensive strategy to transform the way in which the United Nations agencies collectively view, seek to prevent, and respond to allegations of sexual exploitation and abuse.

OIGI has provided input in inter-agency collaboration of investigative procedures and evidence gathering protocols to assist in administrative investigations of these types of claims, as well as strengthening the processes of referral of criminal matters to law enforcement when appropriate. OIGI investigators or consultants engaged to perform SEA-related investigations have received specialized training.

During the reporting period, OIGI received two complaints related to violations of the protection from sexual exploitation and abuse (PSEA) policy, one of which was substantiated and one which was not. The substantiated claim occurred in Chad and involved a WFP subject who engaged in sexual activity with a minor beneficiary in a refugee camp, resulting in a pregnancy. The subject's employment was terminated by WFP. Efforts were undertaken by another United Nations agency to assist the victim and financial compensation for the care of the child was paid by the subject.

Proactive Integrity Review

During 2017, two follow-up reviews were conducted to validate the remediation of control weaknesses identified through PIRs from Jordan and Lebanon that were conducted in 2016.

One PIR report was issued on Djibouti operations in January 2017 and did not uncover any major issue.

A PIR was also issued in relation to WFP Malawi operations. This PIR was undertaken in Malawi in the context of the scale-up of operations following the activation of a WFP Level 3 emergency response in June 2016 which lasted to March 2017. The PIR covered procurement, transport and logistics operations of the country office. No significant areas of concern were uncovered by this PIR.

The office also conducted PIR activities in Haiti and Chad. These reports are currently in the finalization phase and are expected to be issued in the second quarter of 2018.

Inspections

No inspections were carried out in 2017. During planning for the OIG 2018 Assurance Plan, two inspections were identified to include a CBT service provider and registration and general food distribution activities in Djibouti. Following the completion and approval of the 2018 Assurance Plan, a further inspection for 2018 was added focusing on the registration and general food distribution activities in Uganda.

Annex 1

Assurance Reports and Ratings in 2017

<https://www.wfp.org/about/oversight/audit-inspection-reports>

1 a: AUDIT REPORTS AND RATINGS			
Audit engagement		Report Reference	Rating
1	Internal Audit of Food Quality and Safety in WFP Syria Operations	A/17/09	Partially Satisfactory
2	Internal Audit of WFP Operations in the Democratic People's Republic of Korea	A/17/10	Partially Satisfactory
3	Internal Audit of Management Performance Indicators and Supporting Information Systems	A/17/12	Partially Satisfactory
4	Internal Audit of Operationalization of WFP's Enterprise Risk Management	AR/17/13	Partially Satisfactory
5	Joint Internal Audit of the Management of CERF Funded Activities in Ethiopia	AR/17/11	Not Rated
6	Internal Audit Report of WFP's Management of Food Assistance for Assets	AR/17/14	Partially Satisfactory
7	Internal Audit Report of WFP's Operations in Mozambique	AR/17/15	Partially Satisfactory
8	Internal Audit of WFP's SAP (WINGS II) GRC Access Control and Related Modules	AR/17/16	Partially Satisfactory
9	Audit of the Joint Programme in Colombia Funded by the Sustainable Development Fund	UNDP reference No 1810	Satisfactory
10	Internal Audit of Beneficiary Management	AR/17/17	Partially Satisfactory/ major improvement needed
11	Internal Audit of SCOPE IT General and Application Controls	AR/17/18	Partially Satisfactory/ some improvement needed
12	Internal Audit of WFP Operations in Bangladesh	AR/17/19	Partially Satisfactory/ some improvement needed
13	Internal Audit of WFP Operations in Somalia	AR/17/20	Satisfactory

14	Internal Audit of WFP's Supply Chain Division IT-Based Applications	AR/18/01	Partially Satisfactory/ major improvement needed
15	Internal Audit of WFP Operations in Yemen	AR/18/02	Partially Satisfactory/ some improvement needed
16	Internal Audit of WFP Operations in Nigeria	AR/18/03	Partially Satisfactory/ major improvement needed
17	Internal Audit of WFP Headquarters Security Arrangements	AR/18/04	Partially Satisfactory/ some improvement needed
18	Internal Audit of the Integrated Road Map Pilot Phase	AR/18/05	Partially Satisfactory/ major efforts needed

1 b: 2017 ADVISORY ASSURANCE AREAS	
1	Review of Cooperating Partners in Syria Arab Republic
2	Risk Assessment of Turkey Field Operations
3	Cybersecurity
4	Cash-Based Transfers Reconciliation Processes
5	Fraud Risk Assessment



Annex 2

OIGI Reports in 2017

2a. 2017 INVESTIGATION REPORTS			
	Report no.	Report name	Issue date
1	I 40/16	South Sudan – Fraudulent and Obstructive Practice -- Substantiated	19/01/17
2	I 27/16	South Sudan – Non-HSHAP: Physical Assault -- Substantiated	08/02/17
3	I 37/16	Malawi – Fraudulent and Corrupt Practices, and Conflict of Interest — Sub-	27/02/17
4	I 42/16	Malawi – Fraudulent Practice –Substantiated	27/02/17
5	I 39/16	Central African Republic (CAR) – Fraudulent, Corrupt and Collusive Practices	16/03/17
6	I 08/17	Democratic Republic of the Congo (DRC) – HSAHP: Sexual harassment - Sub-	31/03/2017
7	I 04/17	Cameroon – Conflict of Interest– Substantiated	25/04/2017
8	I 03/17	Central African Republic (CAR) – Conflict of Interest –Substantiated	05/05/2017
9	I 09/17	Central African Republic (CAR)– Fraudulent and Collusive Practices – Vendor	05/05/2017
10	I 20/17	Turkey – Fraudulent Practice – Supplier – Substantiated	08/05/2017
11	I 12/17	Turkey – Fraudulent Practice – Supplier – Substantiated	09/05/2017
12	I 13/17	Turkey – Fraudulent Practice – Supplier – Substantiated	09/05/2017
13	I 11/17-A	Turkey – Fraudulent Practice – Supplier – Substantiated	09/05/2017
14	I 11/17-B	Turkey – Fraudulent Practice – Supplier – Substantiated	09/05/2017
15	I 14/17	Turkey – Fraudulent Practice – Supplier – Substantiated	09/05/2017
16	I 41/16	South Sudan – Fraudulent and Collusive Practices –Substantiated	24/05/2017
17	I 10/17	Central African Republic (CAR) – Fraudulent and Collusive Practices –	31/05/2017
18	I 17/17	Pakistan - Conflict of Interest –Substantiated	07/06/2017
19	I 19/17	Central African Republic (CAR) - Fraudulent and Collusive Practices –	19/06/2017
20	I 01/17-A	Yemen - Non-HSHAP - Physical Assault –Substantiated	20/06/2017
21	I 01/17-B	Yemen - Non-HSHAP - Physical Assault –Substantiated	29/06/2017
22	I 07/17	Haiti - Fraudulent and Collusive Practices – Cooperating Partner - Substanti-	30/06/2017

23	I 16/17	Fiji – HSHAP: Harassment –Substantiated	17/07/2017
24	I 25/17	Chad - Fraudulent Practice and Conflict of Interest - Substantiated	19/07/2017
25	I 06/17-A	Kenya - Fraudulent Practice and Conflict of Interest - Substantiated	28/07/2017
26	I 06/17-B	Kenya - Fraudulent Practice and Conflict of Interest - Substantiated	28/07/2017
27	I 06/17-C	Kenya - Fraudulent Practice and Conflict of Interest - Substantiated	28/07/2017
28	I 26/17	Chad – SEA - Substantiated	11/08/2017
29	I 21/17	Myanmar/Yemen - Conflict of Interest - Substantiated	07/09/2017
30	I 27/17	Myanmar - Fraudulent Practice - Cooperating Partner- Substantiated	19/09/2017
31	I 28/17	Myanmar - Fraudulent Practice - Cooperating Partner- Substantiated	19/09/2017
32	I 05/17	Tanzania – SEA – Unsubstantiated (Performed by external consultants)	20/09/2017
33	I 23/17	Regional Bureau, Nairobi – Fraudulent Practice and Conflict of Interest -	31/10/2017
34	I 22/17	Regional Bureau, Nairobi – Fraudulent Practice - Substantiated	29/12/2017

2 b: 2017 PROACTIVE INTEGRITY REVIEW REPORTS

Report name		Report reference	Issue date
1	Proactive Integrity Review Report on of Djibouti Operations	WFP/OIG/PIR-001/17	18 January 2017
2	Follow-up Review on the Implementation of Proactive Integrity Review Recommendations: Cash Based Transfer Programme WFP Jordan	WFP/OIG/PIR-002/17	12 April 2017
3	Follow-up Review on the Implementation of Proactive Integrity Review Recommendations: Cash Based Transfer Programme WFP Lebanon	WFP/OIG/PIR-003/17	06 April 2017
4	Proactive Integrity Review Report on of Malawi Operations	WFP/OIG/PIR-004/17	12 Jul 2017

2c: 2017 MANAGEMENT LETTERS

	Case no.	Report name	Issue date
1	WFP/OIG/PIR-004/17	Management Letter relating to other matters identified during the Proactive Integrity Review of WFP Malawi Operations	18/07/2017
2	I 06/17	Management Letter relating to the Fraud Investigation into the cash-based transfer programme in Kakuma, Kenya	18/08/2017
3	X 124/16	Management Letter relating to Food Commodity Inventory Irregularities at the WFP Guinea Sub Office.	18/08/2017

2d: 2017 CONTROL WEAKNESS REPORTS

	Case no.	Report name	Issue date
1	X 08/17 X 16/17 X 34/17	Report on Control Weaknesses following complaints of allegations of theft of non-food items (NFI) at the WFP Bangui country office	17/02/2017
2	I 32/16	Report on Control Weaknesses identified relating to WFP South Sudan	15/05/2017
3	I 06/17	Control Weaknesses identified relating to the implementation of cash-based transfer programme in Kakuma, Kenya.	18/08/2017
4	I 18/17	Report on Control Weaknesses - WFP Syria and WFP Turkey	24/08/2017
5	I 23/17	Report on Control Weaknesses – Regional Bureau, Nairobi	07/12/2017



Acronyms

AFAC	Anti-Fraud and Anti-Corruption
CA	Chartered Accountant
CAR	Central African Republic
CBT	Cash-Based Transfer
CERF	Central Emergency Response Fund
CFE	Certified Fraud Examiner
CIA	Certified Internal Auditor
CII	Conference of International Investigators
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DRC	Democratic Republic of the Congo
ERM	Enterprise Risk Management
HSHAP	Harassment, Sexual Harassment and Abuse of Power
ICT	Information and Communications Technology
IRM	Integrated Road Map
JIU	Joint Inspections Unit
LESS	Logistics Execution Support System
NGO	non-Governmental Organization
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PIR	Proactive Integrity Review
PSEA	Protection from Sexual Exploitation and Abuse
SCOPE	WFP's beneficiary and transfer-management platform
SEA	Sexual Exploitation and Abuse
VSC	Vendor Sanctions Committee

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