

**Update on the implementation of the  
2018 Enterprise Risk Management Policy and  
WFP's Anti-Fraud and Anti-Corruption Action Plan (2018-2020)**



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## Introduction

1. The Enterprise Risk Management Policy (ERM Policy) was approved during the second regular session of the Executive Board in November 2018. This document provides a status update on the implementation of the ERM Policy, specifically:
  - a) Steps taken to improve the quality, consistency and link to planning processes of risk assessment work for countries, regions, functions and the organisation as a whole;
  - b) Development of risk appetite metrics and thresholds for higher risk countries and functions to facilitate reporting and escalation of risks that are out of appetite;
  - c) Initiatives to build risk capability and embed best practices, including rollout of a new system and increased investment in Risk and Compliance Advisers (RCAs) in the field;
  - d) Update on the implementation of other 2018–2019 critical corporate initiatives to strengthen risk management.
2. This document also provides an update on the implementation of WFP's Anti-Fraud and Anti-Corruption (AFAC) Action Plan (2018–2020), including:
  - a) Feedback from AFAC training initiatives and engagements in high risk countries;
  - b) Building global AFAC expertise and benchmarking/sharing AFAC best practices;
  - c) Development of AFAC tools and guidance for country offices and key functions.

## Risk assessments

3. Risk assessment processes are now aligned to the new ERM Policy and risk categorization at country office, regional bureaux and headquarters level. The new approaches enable risk escalation and improve monitoring of mitigation actions and residual risk exposure. The time horizon and scope for risk assessments and mitigation plans, in addition to the annual review cycle, also consider corporate and country-level strategic risks and threats over the coming five years.
4. With the approval of the ERM policy in November 2018, WFP aligned its corporate planning tools including country strategic plans (CSPs) to the new framework. All CSPs and budget revisions submitted for approval in 2019 apply the new categorisation and now include a strengthened risk management discussion.
5. Following training in all regional bureaux during the last quarter of 2018, all WFP offices conducted their 2019 Annual Performance Planning and Risk Review process using the enhanced risk management tools.
6. WFP's Corporate Risk Register (CRR) helps to ensure that high level risks faced by the organization are regularly monitored by the Executive Management Group (EMG). In early March 2019, the EMG held a risk retreat to assess corporate and global risks and analyse, amongst other things, the current geo-political landscape, the impact of trends in global and regional markets, and the transition of developing countries to prominent actors in the multilateral humanitarian and development system. Discussions revolved around three key areas of risk for the organization:
  - i) Failure to articulate WFP's mandate for zero hunger clearly
    - a) Whilst WFP's mandate is zero hunger, donors and host governments may continue to see WFP's primary contribution being in humanitarian assistance and crisis response;

- b) WFP is unable to communicate its value proposition, especially in development and resilience activities, in line with shifts in the funding landscape and changes in donor expectations;
    - c) WFP needs greater clarity of its role within United Nations reform to facilitate collaboration with sister United Nations agencies.
  - ii) Failure to optimize and leverage technology
 

Failure of technology strategy and implementation, including:

    - a) Lack of beneficiary protection due to weak/inadequate data controls around data security and privacy;
    - b) Poor adoption/deployment of new technology, or underinvestment in existing core platforms, leave WFP as an inefficient service provider.
  - iii) Mismatch of staffing and organizational needs
 

Failure to adapt staffing to needs, constrained by a cumbersome and inflexible United Nations employment and career framework, limiting WFP's ability to implement change and manage its performance.
- 7. Following the risk retreat, the CRR has been substantially updated by mapping the above risks against the new categorization and holding discussions with risk owners on related mitigation strategies. The new corporate risks and mitigation plans will continue to be monitored regularly with the EMG at least three times a year.
- 8. The Enterprise Risk Management Division (RMR) continues to support functional and process-level risk assessments and is working with cross-functional teams to elaborate on WFP's risk appetite. This includes work to determine red lines for emergency response, and assessments for new and change initiatives as well as for regular operations. RMR continues to support sudden onset emergencies by providing staff augmentation for risk management. Going forward, working with the Emergency Preparedness and Support Response Division, RMR will ensure strengthened risk discussions in operational preparedness and emergency response documentation.
- 9. RMR and the wider RCA network also conduct quality assurance of risk assessments at country, regional and functional level to ensure that risks have been identified accurately, categorized correctly and that mitigation actions are realistic given the seriousness of the risk. Assessments are reviewed to support countries in escalating risks to functional and regional/executive management.
- 10. At the inter-agency level, RMR co-chairs a cross-functional task force on Risk Management sponsored by the High-Level Committee on Management (HLCM). In early April 2019, the HLCM endorsed a maturity model for risk management that will be used as a management and communication tool for each organization to benchmark and strengthen its risk management processes.

## **Risk reporting**

- 11. RMR is working actively with headquarters functions, regional bureaux and L2/L3 country offices to develop risk appetite reporting using key risk indicator metrics and thresholds. Building on the ERM Policy, WFP is developing a library of risk indicators to better quantify WFP's risk exposures in line with its risk appetite statements. The library will include a broad range of risk indicators for use in country offices and regional bureaux as well as corporate functions. Discussions are underway with field offices and regional bureaux to determine the most suitable metrics, with a validation exercise anticipated later in 2019, concurrent with the roll-out of the new risk and recommendation tracking tool (see below

paragraphs 12–13). Country offices and functions are being encouraged to set appropriate risk appetite thresholds as part of their annual planning process, and to use the appetite reports during regular risk discussions with their teams.

12. Country and function level risk appetite will provide the basis for strengthening escalation protocols – both for risk indicators as well as for actual incidents. In principle, appetite in ‘amber’ would require escalation to the next level and in ‘red’ to a higher level along with a proposed mitigating action or ‘path to green’. Risk issues and actions arising out of risk appetite and incident reporting will be tracked alongside oversight recommendations, giving both a forward (leading) and backward (lagging) perspective on risk profile and the control environment.

## **Building capability and embedding**

13. WFP has a recognized and strong risk management culture and appetite for risk, but there is also management consensus on the need to automate our processes and embed the practice of regular risk assessment and reporting across the organization. As well as helping to standardise risk management processes and methodologies across all offices and functions, automation will also allow for greater visibility and analysis of risk information. This in turn will improve data quality and use of risk information in planning and decision-making processes.
14. As part of the critical corporate initiatives presented in the 2018–2020 Management Plan, WFP recognized the need to establish an online platform to systematically manage critical risk exposures, capture and quantify risk incidents and track oversight recommendations and mitigation on a more consistent and holistic basis. A thorough procurement process was conducted during 2018 and a suitable vendor solution approved in Q4 2018. Following licensing negotiations, the software has been delivered in April 2019 and is currently being configured.
15. The new system is expected to be ready for piloting in selected countries, regional bureaux and functions with risk assessment, incident capture and oversight tracking functionality from Q3 2019. Wider system rollout will commence from August 2019 with the objective of capturing risk assessments and mitigating actions in the system for the 2020 performance planning cycle. The RMR team is also looking to automate – at least as a pilot – elements of the annual assurance process in the system.
16. Training will also be provided alongside the system roll-out. A programme for ERM Learning has been mapped out to target the needs of country directors and managers as well as a more basic programme, including three lines of defence training, for all staff. Training will also be extended and made available to key cooperating partners.
17. In addition to the central RMR team, WFP has a network of RCAs providing field level support in higher risk countries. The RCAs work closely with the central RMR team on ERM implementation and perform a key role in embedding risk best practice and knowledge-sharing at the country level. They support country directors with risk responsibilities and act as focal points for AFAC-related initiatives. Through the Critical Corporate Initiative funding, RMR has also provided specific funding for the establishment of critical Risk and Compliance staff support to the field.

## **Other 2018–2019 critical corporate initiatives to strengthen risk management**

18. As part of the WFP Management Plan (2018–2020) WFP proposed several initiatives for a total of USD 5 million, both for the newly established RMR division as well as initiatives led by other divisions to strengthen functional risk management frameworks, improve controls and prevent fraud.
19. In 2018, WFP strengthened data infrastructure and analytical capability for its cash-based transfer (CBT) modality. In collaboration with internal stakeholders and vendors, WFP established a data architecture for the collection and management of unstructured CBT data from multiple sources to enable centralized management and analysis, including transaction level information from any point across the CBT risk and control framework for reconciliation, payment instrument management and dormant bank balances. WFP is also working on improving end-to-end data assurance for CBT.
20. Following OIGA’s advisory assurance report and reports from the External Auditor on decentralization, WFP conducted a review of regional bureaux and headquarters roles and responsibilities with an emphasis on the oversight function, country office presence, and geographical scope of regional bureaux. By the end of 2018, updated terms of reference for headquarters and regional bureaux roles and responsibilities were finalized, and preparation was under way for functional reviews (including country office participation) to determine optimal models of WFP’s operational presence.
21. In 2018, WFP also initiated a review of its management and administration services manual. In consultation with country offices and regional bureaux, process leads from accommodation, asset management, engineering, facilities management, light vehicle management, protocol services, records management and travel completed the first substantial revision to the manual since 2004. Process areas were redefined, with key risk and control areas strengthened in high risk areas. The launch of the manual and dissemination and training will take place during 2019.
22. The Human Resources Division (HR) is implementing various initiatives to strengthen the performance management process for different employee categories, including service contract holders. Revised performance management tools for both staff and managers will improve conversations around performance, and potential underperformance issues. In addition to revised HR procedures in this area and a supporting system architecture, including for learning, investments are also being made in training for country directors, heads of field offices and other staff, including in risk management.

## **Overview of the 2018–2020 AFAC strategy and action plan**

23. A two-year AFAC strategy and action plan was developed following the establishment of an AFAC management function in RMR. Its main purpose is to build maturity and capacity in the first and second lines of defence on fraud prevention, detection and risk management, with a view to ensuring that WFP resources reach the people that the organization serves. The three phases of the plan are to:
  - i) Train, gather feedback, benchmark and plan (August 2018 – May 2019);
  - ii) Enhance AFAC governance, policies and tools (June 2019 – February 2020); and
  - iii) Embed AFAC standards globally (March 2020 – July 2020).

A summary of work done and work to be done in Phases I and II is provided in the following sections.

## **Phase I – AFAC training and feedback**

24. Between September 2018 and April 2019, RMR undertook four AFAC training and feedback missions in Nigeria, South Sudan, Somalia and Afghanistan country offices. The purpose of the missions was to engage with colleagues who manage fraud risks day-to-day in higher risk functions and operating environments with a view to building AFAC capacity, while gathering feedback that will be used to inform policy, guidance and support needs.
25. Approximately 200 personnel participated in these missions including deputy county directors, heads of functions, their deputies and heads of sub-offices. Subjects covered during the training included:
  - the AFAC Policy;
  - financial and non-financial consequences of fraud;
  - role of ethics in managing fraud and corruption;
  - AFAC legal framework and sanctions mechanisms;
  - lessons learned from actual fraud cases in WFP;
  - reporting suspicions of fraud and corruption;
  - key fraud indicators/red flags; and
  - fraud risk assessments.

### **Country director training in the Nairobi Regional Bureau**

26. In March 2018 RMR took part in the regional country director meeting in Nairobi with the Bureau (RBN). The purpose of the mission was to train senior country office management on practical aspects of fraud risk management, while testing concepts for new guidance and tools. RMR delivered presentations on:
  - managing major allegations of fraud;
  - essential fraud risk management principles;
  - development of the concept of a country director dashboard to focus management attention on risk factors, red flags, and indications of AFAC maturity.
27. The Office of Inspections and Investigations (OIGI) within the Office of the Inspector General also delivered a presentation on lessons learned from actual fraud cases in WFP.

### **Certified Fraud Examiner (CFE) training**

28. From 2017 to August 2018, OIG organized training sessions for relevant staff in all regions to prepare for the Association of Certified Fraud Examiners (ACFE) qualification. From September 2018, responsibility for course organization and planning migrated to RMR, who facilitated two sessions in the regional bureaux in Cairo (RBC) and Johannesburg (RBJ) in late 2018. More than 200 WFP personnel have undertaken this training to date.
29. The one-week course was designed to equip participants with the knowledge required to pass the four-part Certified Fraud Examiner (CFE) exam and to familiarize them with AFAC policy, frameworks, and practices at WFP. The week included four days of external training by the Association of Certified Fraud Examiners (ACFE) and one day of WFP-led training provided mostly by RMR and OIG. The CFE training sessions were also used to leverage additional feedback from participants.

## **Phase I and II – Building global AFAC expertise**

30. An AFAC specialist based in Rome joined in September 2018. Recruitment is currently ongoing for regional AFAC experts in RBC and RBN. Their role will include;
  - Delivery of training and developing scalable training solutions;
  - Support for functional and operational risk owners on high-priority AFAC issues;
  - Recommend risk appetite measures and reporting/escalation standards;
  - Support for OIG investigations where required.
31. RMR plans to establish an AFAC Community of Practice, made up of WFP ACFE members together with Risk and Compliance Advisers, and AFAC mission participants. RMR plans to provide a platform through an internal social network or other suitable mechanism for members of the Community to continuously learn from each other as they apply knowledge gained from the CFE course and other AFAC training.
32. RMR is also looking to tap into expertise outside of WFP and has initiated discussions with relevant functions at the World Bank, Food and Agriculture Organization of the United Nations and with the United Nations Finance and Budget Network aimed at benchmarking respective practices in AFAC.

## **Phase II – Development of AFAC tools and guidance**

33. Based on feedback received from AFAC missions, RMR has begun developing guidance and tools to assist in preventing fraud and focus management's attention on key risks as follows:
  - a) Guide to internal control for fraud risk management/fraud prevention handbook – the guide includes control weaknesses from actual investigation cases in WFP and practical advice on fraud risk management;
  - b) Library of WFP specific red flags (i.e. risk indicators) compiled from contributions made by participants in AFAC training and feedback missions;
  - c) Catalogue of fraud schemes which could arise in cash-based transfer programmes together with sample scenarios and mitigating controls.
34. Other tools and guidance materials to be developed:
  - a) AFAC checklists for approval authorities, handovers and other key actions;
  - b) Standard operating procedures on fraud reporting and fact-finding reviews;
  - c) Fraud risk assessment toolkit (RMR expects to directly support higher risk countries and functions with their fraud risk assessments);
  - d) AFAC awareness and sensitization materials for staff and cooperating partners;
  - e) Video series – WFP leaders sharing advice and direction on AFAC; and functional staff, fraud risk owners, and country directors sharing their experiences in handling fraud on a day-to-day basis;
  - f) AFAC posters/campaigns and visibility materials.

## **External Audit**

35. The External Auditor conducted an audit of fraud prevention, detection, and sanctions in WFP in 2018/2019. The final report was not available at the time of submission of this briefing document. However, WFP management provided several comments on the draft report and is committed to addressing the External Auditor's recommendations. For RMR, key recommendations relate to fraud risk assessment, reporting and building partner capacity. Management responses to the External Auditor's recommendations will be presented to EB.A/2019.

## **Acronyms used in the document**

ACFE	Association of Certified Fraud Examiners
AFAC	anti-fraud and anti-corruption
CBT	cash-based transfer
CFE	Certified Fraud Examiner
CRR	WFP's Corporate Risk Register
CSP	country strategic plan
EMG	Executive Management Group
ERM	Enterprise Risk Management
HLCM	High-Level Committee on Management
HR	Human Resources Division
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
RBC	Cairo Regional Bureau
RBN	Nairobi Regional Bureau
RCA	Risk and Compliance Adviser
RMR	Enterprise Risk Management Division