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Internal Audit of Tone-at-the-Top and WFP's Leadership Arrangements

Office of the Inspector General
Internal Audit Report AR/20/01

January 2020



World Food
Programme



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I. Executive Summary

Tone-at-the-Top and WFP's Leadership Arrangements

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of Tone-at-the-Top in WFP that focused on the period 1 October 2018 to 30 September 2019. The audit team conducted the fieldwork from 14 to 25 October 2019 at WFP Headquarters in Rome, Italy. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. One of internal audit's key responsibilities is to assess the adequacy and effectiveness of the internal control environment directly impacted by tone-at-the-top and culture, and the conduct that arises from employees acting out and exhibiting their interpretation of the values of that culture.

2. The culture of an organization drives how it conducts business and executes its strategies. Tone-at-the-Top is one of four points of focus for the Control Environment of an organization applying the COSO¹ Internal Control Framework. This Framework states: In 'setting the Tone-at-the-Top' the board of directors and management at all levels of the entity demonstrate through their directives, actions and behaviours the importance of integrity and ethical values to support the functioning of the system of internal controls. Tone-at-the-Top refers to the ethical atmosphere that is created in the workplace by the organization's leadership. Tone-at-the-Top will play a role on how the leadership of an organization will create or change the organizational culture, whether intentionally created or not. Whatever tone management sets will have a trickle-down effect on employees of the organization. When the tone set by managers upholds ethics and integrity, employees will be more inclined to uphold those same values.

3. The World Food Programme (WFP) is governed by the WFP Executive Board, which consists of 36 Member States and provides intergovernmental support, direction and supervision of WFP's activities. The organization is headed by an Executive Director, who is appointed jointly by the UN Secretary-General and the Director-General of the Food and Agriculture Organization of the United Nations for a fixed five-year term and is responsible for the administration of the organization as well as the implementation of its programmes, projects and other activities. WFP's Leadership Group, composed of one Deputy Executive Director, three Assistant Executive Directors and a Chief of Staff support the Executive Director in providing strategic leadership and guidance in their specific areas of work, as well as taking decisions to ensure delivery of overall corporate initiatives at the headquarter, regional and country office levels. The tone of the organization and executive leadership is further defined and driven down by Regional Directors in six regions and the Operational Management Group, comprised of the Leadership Group and the Regional Directors.

Audit Conclusions and Key Results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory with major efforts still needed**. The assessed governance arrangements, risk management and controls were generally established and functioning. However, major effort and prompt attention were required in view of the importance of Tone-at-the-Top and leadership arrangements for the whole organization. The audit acknowledges prompt actions taken ahead and after the results of the audit were discussed and shared with the Executive Director. With these actions, the expectation is that the governance and Tone-at-the-Top will significantly improve. The rating however remains as reflecting the entire period of review 1 October 2018 through 30 September 2019.

5. The Executive Director's messages across WFP (and beyond) are clear, concise, and consistent – which was noted and appreciated across the organization and at the Executive Board level. The Executive Director and the Leadership Group's inclusive approach and honest discussion with the Board result in a positive engagement with the Board and clear understanding of the Board's role in terms of tone and oversight of the organization.

¹ COSO is the Committee of Sponsoring Organizations of the Treadway Commission.



6. The culture of WFP is noted as setting a positive tone demonstrated through various events that the audit reviewed and analysed during the period under review. This is consistent with a comprehensive governance policy framework which is already in place to guide the actions of the organization and its employees. WFP's culture requires change in some areas that the organization has already proactively identified. Effective tone (Tone-at-the-Top) and sustained tone (Walk-the-Talk) is necessary to ensure intentional culture change takes place where required.

7. The outward focus of the Executive Director, and his extensive travel commitments on behalf of WFP's mission, require strong internal organizational discipline during his absence to ensure timely delivery of critical information, decision making and expected follow-up action at the leadership level. The risk is that, without diligent follow-through by the Leadership Group in support of the Executive Director's messages, trust in the leadership can erode across all levels of WFP.

8. The audit noted that leadership organizational arrangements, roles and responsibilities, reporting lines and objectives required redefining to support the growth and complexity of the organization. Leadership Group meetings and communications were largely informal by design and could benefit from a more structured approach given the current level of WFP's mission. There was further need for agreement and communication within the leadership of the implications of the new organizational structure, including the role the Regional Directors will play in setting the tone of the organization and driving down the required actions across their regions in a cohesive manner. This is with the understanding that effective Tone-at-the-Top requires clarity, leading to trustworthiness, which in turn triggers collaboration, and generates effectiveness and efficiency.

9. Strengthening organizational discipline is a priority as identified by the audit, which was more pronounced at the Chief of Staff level. Recent organizational changes were announced in July 2019 to align the leadership structure with the Executive Director's key priorities. This reorganization resulted in the current incumbent being 'spread too thin' in an extended role which, in addition to broadened operational responsibilities, retained supervision of the Information Technology and Innovation Divisions, some of the largest support and enabling activities within WFP. Questions were raised within the Leadership Group, Regional Directors, and others who we interviewed whether the role traditionally expected of a Chief of Staff (i.e. supporting the Executive Director as the convenor, influencer, and enforcer of ED directives and key priorities) was being effectively carried out given the additional responsibilities of the office. These concerns were also supported by the results of our documentation review. Some of the Executive Director's authority or responsibilities being managed in the Chief of Staff's office, have resulted in the further delegation of authority and activities which has, in the audit's observation, caused extra unnecessary work, chatter, anxiety and frustration, as well as some confusion over some of the roles and responsibilities at the Leadership level.

10. Known and repeated waivers of, or in some cases noncompliance with, accepted norms, policies and procedures were noted which included a limited group of individuals who received direct appointments to existing or newly created roles without a competitive and transparent recruitment process. These actions that were initiated through the Offices of the Executive Director and Chief of Staff have raised some concerns regarding favoritism and special treatment. We did, however, note that decisions and waivers we reviewed occurred under the authority duly granted to the Executive Director, although documentation of the rationale supporting these decisions should be strengthened. The matters of noncompliance with the organization's policies identified through the audit that did not have the appropriate documentation and approval of these exceptions were brought to the Executive Director's attention to address.



Agreed Actions

11. The audit report contains ten high-priority and seven medium-priority observations. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates.

12. The Office of Internal Audit would like to thank the members of the Executive Board, the Office of the Executive Director, the Leadership Group and all who participated in the audit for their generosity of time, assistance and cooperation during this project.

Kiko Harvey
Inspector General



II. Context and Scope

Tone-at-the-Top

13. The culture of an organization drives how it conducts business and executes its strategies. Poor organizational culture has been identified as the root cause of many serious issues across numerous industries around the world. In response, key stakeholders, including governing boards, with responsibility for oversight of the control environment, have heightened their focus on the role of organizational culture and the actions that arise out of that culture as an important area of risk management. A common factor cited when discussing an organization's culture is 'Tone-at-the-Top.'

14. Tone-at-the-Top, which is also defined as an 'entity-level control', is one of four points of focus for the Control Environment of an organization applying the COSO Internal Control Framework. In 'setting the Tone-at-the-Top' the board of directors and management at all levels of the entity demonstrate through their directives, actions and behaviours the importance of integrity and ethical values to support the functioning of the system of internal controls. Tone-at-the-Top refers to the ethical atmosphere that is created in the workplace by the organization's leadership. Tone-at-the-Top will play a role on how the leadership of an organization will create or change the organizational culture, whether intentionally created or not. Whatever tone management sets will have a trickle-down effect on employees of the organization. If the tone set by managers upholds ethics and integrity, employees will be more inclined to uphold those same values.

Tone-at-the-Top in WFP

15. The World Food Programme (WFP) is governed by the WFP Executive Board (EB), which consists of 36 Member States and provides intergovernmental support, direction and supervision of WFP's activities. The organization is headed by an Executive Director (ED), who is appointed jointly by the UN Secretary-General and the Director-General of the Food and Agriculture Organization of the United Nations for a fixed five-year term and is responsible for the administration of the organization as well as the implementation of its programmes, projects and other activities. The Leadership Group (LG), composed of one Deputy Executive Director (DED), three Assistant Executive Directors (AEDs) and a Chief of Staff (COS) support the ED in providing strategic leadership and guidance in their specific areas of work, as well as taking decisions to ensure delivery of overall corporate initiatives at the headquarter, regional and country office levels.

16. The tone of the organization and executive leadership is further defined and driven down by Regional Directors (RDs) in six regions and the Operational Management Group (OMG), comprised of the LG and the RDs. The Executive Management Group (EMG) continues as a forum for risk-based cross-functional discussion across the organization and for the agreement of policies and instruments of policy prior to approval by the ED. It consists of the OMG and several other Directors (Human Resources, Legal Office, Ethics Office, Ombudsman, Gender, Oversight, and Evaluation).

17. One of internal audit's key responsibilities is to assess the adequacy and effectiveness of the internal control environment. This includes assessing the impact of Tone-at-the-Top and culture, and the conduct that arises from employees acting out and exhibiting their interpretation of the values of that culture, on the overall operating effectiveness of entity-level controls within the control environment. This is with the following understanding:

- WFP applies the COSO Control Framework, which requires that the ED sets the right Tone-at-the-Top and that this tone should permeate across the organization, facilitating a well-functioning, effective, and accountable WFP.
- The LG's commitment is paramount in supporting the right tone and culture within WFP. Through the LG, the tone set by the ED is embraced. Collectively, these leaders should model the tone that affects WFP's operating culture which extends to the furthest reaches of WFP.



- Serving in this role, LG compliance of all WFP policies is expected by all of WFP's stakeholders. It is the LG and senior managers who must 'Walk-the-Talk' if there is to be consistent accountability across WFP.
- WFP's ED and LG wish to apply good practice Tone-at-the-Top, which is evidenced through a strong governance policy framework focused on accountability and high ethical standards and expectations of all WFP employees. There has been a willingness by the ED and LG to seek feedback through employee surveys and other activities on matters for improvement and a commitment to implement changes when the feedback indicates that the organization is falling short. This openness also applies to the audit where the ED and LG's support and willingness to address the issues raised is another indication of positive Tone-at-the-Top.

Objective and Scope of the Audit

18. The objective of the audit was to provide assurance on the effectiveness of controls related to WFP's Tone-at-the-Top. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes. It is part of OIG's Assurance Plan for 2019, approved in January 2019, and not initiated or linked to recent staff survey activities conducted by management.

19. The audit was carried out in conformance with the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*. It was completed according to an approved engagement plan and took into consideration a risk assessment exercise carried out prior to the audit.

20. The scope of the audit covered the period from 1 October 2018 to 30 September 2019. Where necessary, transactions and events pertaining to other periods were reviewed. The audit reviewed:

- (i) The Executive Director's leadership in setting the Tone-at-the-Top for WFP:
 - Key leadership messages: What are the priorities? What needs to underpin the messages so that they can be achieved? What ethical tone does senior management set?
- (ii) Leadership arrangements to embed priorities across WFP (Tone-from-the-Top):
 - How is the Office of the Executive Director (OED) set up to deliver the ED's priorities?
 - What are the Leadership's budget and financial arrangements?
 - What are the ED's and the Leadership Group's prerogatives? How are they exercised in OED and what are the outcomes?
 - What Delegations of Authority take place? What is the quality of supporting processes? And, what is the culture of responsibility and accountability like in OED?
 - What is the quality of OED's internal communications system, controls, and protocols?
 - How well-managed is the process that supports the ED's communications to stakeholders?
- (iii) Compliance:
 - Is there compliance across the LG with WFP policies?

21. The audit acknowledged the extensive work done following WFP's Global Staff Survey, including the External Review of Workplace Culture and Ethical Climate at World Food Programme, later referred to as the External Review, and Joint Working Group recommendations. The issues addressed through these activities have not been covered specifically in this audit, rather the audit focused only on the concept of Tone at the Top. Related issues and conclusions were considered from a contextual perspective.

22. The audit team conducted the fieldwork from 14 to 25 October 2019 at WFP Headquarters in Rome, Italy. The audit team included the services of an external and independent consultant with expertise in the area of governance and Tone-at-the-top.



III. Results of the Audit

Audit Work and Conclusions

23. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory with major efforts still needed**. The assessed governance arrangements, risk management and controls were generally established and functioning. However, major effort and prompt attention were required in view of the importance of Tone-at-the-Top and leadership arrangements for the whole organization. The audit acknowledges prompt actions taken ahead and after the results of the audit were discussed and shared with the Executive Director. With these actions, the expectation is that the governance and Tone-at-the-Top will significantly improve. The rating however remains as reflecting the entire period of review 1 October 2018 through 30 September 2019.

Observations and Actions Agreed

24. Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are classified according to the areas in scope established for the audit and are rated as medium or high priority; observations that resulted in low priority actions are not included in this report.

Table 1: Overview of areas in scope, observations and priority of agreed actionsPriority of
issues/Agreed
Actions

A: Examples of High-Quality Tone-at-the-Top	
1. ED Outreach, Visibility and Accessibility	None
2. ED/LG Engagement with the Board	None
3. ET 302 Airline Disaster	None
4. Staff Surveys	High
B: Organizational Discipline	
5. ED's Messages and Timeliness of Follow-Through	High
6. Leadership Organizational Arrangements	High
7. Leadership Role Clarification: ED/DED/AEDs	High
8. Leadership Role Clarification: COS	High
9. Leadership Role Clarification: COS and OED	Medium
10. Leadership Role Clarification: COS and RDs	Medium
C: Other Functions Supporting Tone-at-the-Top	
11. Combined Assurance for Improved Governance	None
12. Internal Communications	Medium
13. Ethics Office	Medium
14. Human Resources and Performance Management	High
D: Compliance Review	
15. Direct Appointments/Promotions	High
16. Class of Travel	High
17. Corporate Credit Cards	High
18. Budget Review	Medium
19. Transportation – Car Services	Medium
20. Performance Appraisal Compliance	Medium
21. Use of ED Signature	High

25. The 21 observations of this audit are presented in detail below.

26. Management has agreed to take measures to address the reported observations². An overview of the actions to be tracked by internal audit for implementation, their due dates and their categorization by WFP's risk and control frameworks can be found in Annex A.

² Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.



A: Examples of High-Quality Tone-at-the-Top

Observation 1: Executive Director's Outreach, Visibility and Accessibility

27. The audit confirmed that the EB was appreciative of the way the ED had reached out to the EB and noted that this has been highly effective. Furthermore, it confirmed that the ED's messages across WFP (and beyond) are clear, concise, and consistent, which was noted and appreciated across the organization and at the EB level.

28. Finally, the audit noted that, in each discussion with direct reports and those with administrative reporting lines to the ED, we were consistently informed that the ED, despite his extensive travel calendar, has:

- Made a point of making himself 'visible' across the WFP in a helpful way.
- Always made himself available to meet with his direct reports and those with administrative reporting lines to him when approached and when the need arose.
- Consistently welcomed positive and negative information and feedback from this group.

29. Taken together, these actions and initiatives indicate good Tone-at-the-Top by the ED.

Observation 2: Executive Director and Leadership Group Engagement with the Board

30. In response to questions about Tone-at-the-Top, the EB also confirmed its appreciation for the ways that the ED, the Leadership Group (LG) and the Board Secretariat took the initiative to work with EB members to the point where they felt included in the strategy and policy direction-setting process, understood better what the strategy and policies were, and were generally ready to support these decisions.

31. To this end, the ED and senior team initiated extensive informal meetings and consultations on specific aspects of the Strategy; and showed a willingness to listen to Board concerns and advice by improving documents to accommodate Board interests. This inclusive approach and honest discussion with the Board is more than management is required to do and led to the Board's willingness to take into account the realities on the ground and accept difficulties and limitations that management would have implementing the Strategy as ultimately desired.

Observation 3: ET302 Airline Disaster

32. Ethiopian Airlines Flight 302 was a commercial passenger flight from Addis Ababa Bole International Airport in Ethiopia to Jomo Kenyatta International Airport in Nairobi, Kenya. On 10 March 2019, the Boeing 737 MAX 8 aircraft which operated the flight crashed near the town of Bishoftu six minutes after take-off, killing all 157 people onboard. Seven current and one former WFP employee perished in this tragedy.

33. Multiple individuals from the EB onwards confirmed that the way this sad event was handled by the ED, and the DED, was the best example of excellent Tone-at-the-Top in recent memory. Exceptional, immediate action was taken - beyond WFP policy requirements and constraints - and are still being sustained to provide tangible and financial assistance to families of victims. These efforts were well-received by the organization, the victim's loved ones and friends, and by the wider WFP family.

34. We confirmed that ex gratia payments were approved by the ED to compensate for service-incurred death of consultants and short-term contractors not covered through WFP entitlements and benefits.



Observation 4: Staff Surveys

35. Every three years, WFP engages independent experts to conduct an anonymous global staff survey. For the 2018 Global Staff Survey, questions related to issues such as sexual harassment, abuse of power, and fraud were added at the direction of the ED. The intention was to assess how WFP fared in light of such issues arising in other multilateral and private sector organizations globally.

36. The overall results of the 2018 staff survey raised concerns that gave rise to management and the EB initiating a Joint Working Group (JWG) with representation of the Board and senior management to better understand certain results and decide how best to proceed. To that end, the JWG commissioned an external consultancy and two external experts to capture and assess, at a deeper level, the concerns WFP staff have about sexual harassment, harassment, abuse of power and other prohibited conduct within WFP.

37. The results of the 'External Review' were reported back to the JWG who has made recommendations to management and the EB to address the findings. We confirm that the global staff survey, enhanced in certain areas to address new cultural concerns at the insistence of the ED, the commissioning of a Board/management JWG, and an additional survey to probe matters of concern more fully, are indicators of healthy and good Tone-at-the-Top and of the commitment to address staff concerns in earnest.

Agreed Actions [High priority]

It will be imperative that the ED and LG show evidence of a sustained effort to prevent abusive misconduct through the prompt adoption of the recommendations made by the JWG resulting from the 'External Review' with meaningful methods to measure and track progress on the implementation of these initiatives.

In addition, several other initiatives were identified by members of senior management and have been or are in the process of completion. Sustaining and funding these important projects for meaningful change will further support executive commitment to changing the culture at WFP where changes are necessary, while preserving the areas that increase the engagement and commitment of WFP employees to achieving its mission.

Given the importance of this initiative, the ED has provided sufficient funding to ensure these projects are completed with urgency and has committed to dedicating a full-time project team to ensure implementation.

Timeline for Implementation

To be determined in the context of the Comprehensive Action Plan in February 2020

B: Organizational Discipline

Observation 5: Executive Director's Messages and Timeliness of Follow-Through

38. The audit noted the ED's messages across WFP (and beyond) are clear, concise, and consistent. The tone for both the LG as well as other senior managers and the whole of WFP is thereby set.

39. This is consistent with a comprehensive governance policy framework which is already in place.

40. In our review of written ED messaging to various stakeholders including WFP staff, we noted that, while the ED messages are strong and clear to articulate his position on important matters impacting WFP employees, these messages are not generally accompanied by sufficient clarification as to how the messages should be acted on, what actions are required, by whom, or when, and how these should be reported on and revisited periodically. Sometimes there was a delay between the ED's message and the delivery of information and expected follow-up action. The risk of not systematically and timely following through on ED's messages is that trust in the leadership can erode across all levels of WFP as employees are left with an impression that nothing will really change. This can be prevented with more diligent follow-through by the LG and, specifically, the Chief of Staff (COS) in support of the ED's messages.

Agreed Actions [High priority]

To encourage organizational cohesion and collaboration, the Executive Director, with the Leadership Group, should:

- (i) Formalise the LG's role to articulate actionable steps for all ED messages, on a timely basis, and share these with the RDs and wider management team across WFP.
- (ii) Measure and report on the implementation of the action plans to implement the ED's initiatives with balanced scorecards issued to the ED and shared with the RDs and LG to ensure these messages are successfully deployed.
- (iii) Provide regular communications to all WFP staff on the outcomes of ED messaging to demonstrate progress in completing the ED's priorities.

Timeline for implementation

30 June 2020

Observation 6: Leadership Organizational Arrangements

41. The LG must demonstrate Tone-at-the-Top as set by the ED. The LG's role is to ensure that the ED's tone is embodied by the members and demonstrated in all its activities and behaviours collectively and individually as they manage WFP. This trickle-down impact is best described as Tone-from-the-Top and should become the model that permeates the whole organization.

42. A circular from March 2018 on "Executive management for policy, operations and strategy" identifies that "the LG addresses and resolves operational and management issues "through regular meetings "on an informal basis".

43. For an organization of the size of WFP in 2019, leadership arrangements, including meetings and communications, would benefit from more structure and formalization. In this audit there was persistent input and information confirming that the LG is not working as effectively as desired given the significant growth of its operations over the past two years. It lacks cohesion and reflects the silo-ing apparent throughout the organization, thereby affecting not only the tone, but also LG efficiency and effectiveness – including possibly

hampering operational progress down the line. From conversations and a review of information, we noted the following:

- LG does not have formal terms of reference and does not use clear agendas or minutes to memorialize decisions reached. It is unclear who is responsible for setting the meeting content or agendas administratively.
- LG meetings are highly dependent on the EDs attendance, made difficult by his heavy travel schedule, thus take place on an unplanned ad hoc basis, rather than as a scheduled and routine key leadership activity and typically do not occur if the ED is not present.
- Most LG meetings tend to focus on issues of the day rather than strategic, overarching, organizational issues and trends facing WFP, or reaching consensus and positions in areas key to WFP with adequate time for reflection and discussion. However, we were informed that significant matters and matters requiring urgent attention, such as operations in L3 emergencies through the Strategic Task Force, receive substantial attention by the LG team.
- LG is perceived to lack cohesion without a clear leader emerging when the ED is absent.
- There are few LG outcomes or decisions that are communicated across WFP in a way that confirms how the LG members operate and cooperate with each other and, together, translate the ED's messages and priorities into actionable steps with clear accountabilities for results.
- Finally, there is currently no self-assessment or plan for an LG self-assessment leading to fundamental changes in the way it works and impacts the organization and demonstrates an enhanced Tone-from-the-Top.

44. Similar circular as above also defines that “the OMG will focus on operational management issues; ensure coherence of programme implementation; [...] and find solutions to corporate operational issues. [...] The OMG will meet as requested on an informal basis”. Only the EMG, tasked for “the agreement of policies and instruments of policy prior to approval by the ED” meets formally on the basis of prepared materials distributed in advance. The audit did not look at how the Operations Management Group or the Executive Management Group operated, however LG organizational arrangement issues may impact the efficiency and effectiveness of these committees and will require consideration as well.

Agreed Actions [High priority]

The Executive Director, with the Leadership Group, should:

- (i) Agree on formal Terms of Reference for the Leadership Group including:
 - A modus operandi that introduces operational discipline and effectiveness for the LG (including who will take the lead in the absence of the ED).
 - Scheduled meetings with a formal agenda that allows for proper planning and preparation by LG members and requires the LG to favour strategic overarching issues rather than issues of the day.
 - Meeting summaries for WFP internal communication purposes including actionable steps and accountabilities for effective follow up.
 - A requirement to assess LG performance and impact now and then follow-up at least annually.
 - Engagement with Regional Directors.

Once the LG organizational arrangements are strengthened, and to encourage cohesion within the group, we recommend that:

- (ii) The organisational arrangements for both the OMG and EMG be reviewed and aligned with the LG responsibilities.
- (iii) Activities be planned to rebuild cohesion within the team and for strategy setting.



- (iv) Consideration be given to obtaining formal feedback on the members of the LG from the ED, peers, direct reports, customers and colleagues in the form of 360 evaluations, anonymized to ensure open and honest responses. This action will demonstrate willingness to accept and receive feedback and can help in setting goals and objectives for each organizational area.

Timeline for implementation

30 June 2020

Observation 7. Leadership Role Clarification: Deputy Executive Director / Deputy Executive Director and Assistant Executive Directors

45. As stated above, the operating effectiveness of the LG organization impacts WFP as a whole. Principally, it impacts the level of trust that those most closely connected to WFP (from the EB downwards) have in its leadership. It also impacts the efficiency and effectiveness of the organization that may result in cost implications. Key to addressing this is how the leadership roles are defined and supported and how the members collaborate with each other – especially on cross-cutting issues. Although the LG comprises the ED, DED, AEDs and the COS, we separated our commentary on the COS as this was an area receiving the highest level of feedback and concern.

46. For the DED and AEDs the audit found the following:

- The roles of the DED and AEDs under the new organizational structure have not been clearly articulated in writing. The new organigramme and divisional distribution between departments were communicated across WFP, but without additional clarification as to how this affected reporting relationships down the line. Perceptions that some of the LG roles overlap or have gaps have led to a high degree of confusion - especially at the senior management levels. This is where greatest clarity and certainty is required if senior managers are to carry out their responsibilities efficiently and effectively.
- This lack of clarity mostly affected those who report to one or more LG members.
- Contracts of the DED/AED are one-year contracts, recently renewed after their end dates. The short-term duration of these contracts does not contribute to senior management working toward a strategy and vision with a reasonable time horizon, or may result in these individuals being uncomfortable addressing controversial issues, including criticising tone. It may also result in key talent not being willing to take roles without a reasonable expectation of continuation with the organization beyond one year.

Agreed Actions [High priority]

The Executive Director, with the Leadership Group, should:

(i) Articulate, and communicate on the WFP employee portal (WFPgo), the roles and responsibilities of each member of the LG to show:

- Direct line responsibilities.
- Cross-cutting operations in which they participate or lead.
- Organizational WFP responsibilities for which they all must collaborate.
- This could be in the form of a 'Compact', as used previously or a 'Role Charter'.

(ii) Revisit duration of contracts and anticipate renewal within a reasonable timeframe beyond one year.

Timeline for implementation

30 June 2020

Observation 8: Leadership Role Clarification: Chief of Staff

47. As part of the LG, the COS typically monitors the organizational standards and sets the agenda for LG discussions, as well as ensuring the most important issues reach the ED and LG for attention. If neglected, it impacts the entire LG, does not effectively support the ED, and can negatively impact the delivery of the ED priorities.

48. In assessing the role of the COS, the audit found the following:

- The COS does not have Terms of Reference that clarify the position's roles and objectives; delineate authorities and boundaries; or define the responsibilities that are traditionally the role expected of a COS. The traditional COS role is to support the Office of the ED as the convenor, influencer, and enforcer of ED directives and key priorities. These activities have not been formally assigned to the COS or others.
- The COS' current responsibilities suggest that this individual is 'spread too thin'. The COS is currently responsible for: ED support (special initiatives and managing the Office of the Executive Director); line manager for the Technology and Innovation Divisions (a major WFP-wide functional role), and more recently also appears to be acting as a direct manager for Regional Directors. The span of management responsibilities is atypical for the COS role and has led to inefficiencies and ineffectiveness for all of the LG and at the programme level with the Regional Directors. This also results in some of the ED prerogatives, delegated formally or informally to the COS, being delegated further down to the Deputy Chief of Staff, a new position where no Terms of Reference were available either, thus creating unnecessary distraction and discussion within the organization.

Agreed Actions [High priority]

The Executive Director should:

- (i) Articulate, and communicate on WFPgo, the roles and responsibilities of the COS to clarify what the function is primarily responsible for, and how it is achieved.
- (ii) Review the COS' existing job responsibilities and decide how best to separate the key role of ED support from other line management responsibilities to make space for a COS function that primarily supports the ED and introduces LG discipline and support.

Timeline for implementation

30 June 2020

Observation 9: Leadership Role Clarification: Chief of Staff and Office of the Executive Director

49. The audit noted significant efforts in 2019 to bring additional structure and organization to the Office of the ED (OED). We also noted that there is now a delineation between the COS and OED in providing support to the ED. This still requires clarification in some of the OED processes, especially on support extended to the Officer-in-Charge (OIC) during ED travel away from the office, or reporting back to the ED on the use of delegation of authority decisions made by the OIC in the ED's absence.

50. The Chief of Staff has yet to finalize the processes and controls recently implemented in the OED to start to instil discipline and accountability within this office. These include: job descriptions, Standard Operating Procedures, communications (including the appropriate use of WhatsApp for business-related communications and decisions), and correspondence logging and follow-up. Some processes are also still separated between administrative (OED) and operational (COS), which would require clarity to make sure there is a complete documentation trail.

51. The OIC roles and responsibilities and OED support to the OIC while s/he is in that role is not clear. The OIC operates with the full authorities and accountabilities of the ED when the role is assumed. With high level delegation of authority, the OIC has important management and legal dimensions. This requires clarity as well as



OED support, and therefore this issue needs to be settled, communicated, and complied with at the LG level. Despite these factors, we noted strong and consistent communication and assignment of the OIC when the ED is out of the office. This has helped the organization know how to route decisions and this example has been cascaded to other roles within the organization as a result.

Agreed Actions [Medium priority]

- (i) The COS should approve the OED organigramme and underpinning processes and controls in OED.
- (ii) The Executive Director should clarify the roles and responsibilities of the Officer-in-Charge as well as how the OED supports the incumbent in a way that meets legal and operational demands.

Timeline for implementation

30 June 2020

Observation 10: Leadership Role Clarification: Chief of Staff and Regional Directors

52. We noted the ED's announcement at the Global Management Meeting (GMM) earlier in 2019 that all Regional Directors would now be part of the "leadership" and would report directly to the ED. This was welcomed by the Regional Directors and is reflected on the internal organigram issued in July 2019, but has not yet happened in practice, nor has any further clarification been provided as to how this new reporting structure is to be implemented. The matter of the Regional Directors' reporting relationship requires clarity as there is an opportunity for the ED to receive input from the field directly through the RDs and to reinforce his messaging across the organisation with their help.

53. Starting July 2019, the new organigramme indicates the establishment of a direct reporting line of the Regional Directors to the ED, with a dotted line to the COS. This new reporting alignment was the focus of many of the comments received during the audit, particularly as the COS appears to have assumed more of a direct, rather than dotted, reporting line with the Regional Directors.

54. There is an expectation that the line manager for the Regional Directors provides operational guidance and advice either from his or her own extensive experience, or that there is structured input or support from the DED or other AEDs as a complementary mechanism. This has not necessarily been the case. Moreover, the COS style of direct communication was seen to bypass WFP's reporting lines without including the Regional Directors in the communication chain. This at times resulted in the Regional Directors not having information to take action or follow up from interactions at the field level, as decisions and expectations were not adequately discussed and/or disseminated.

Agreed Actions [Medium priority]

The Executive Director, with the Leadership Group, should:

- (i) Review the intended reporting lines of RDs that are currently shown as a direct report to the ED.
- (ii) Clarify and communicate or re-communicate the reporting structure decision to the RDs and change the organigramme if necessary.
- (iii) If the current structure is as intended, define the objectives for the ED's and COS's support to and supervision of the Regional Directors, with input from the RD's regarding their needs and expectations of the office.

Timeline for implementation

30 June 2020



C: Other Functions Supporting Tone-at-the-Top

Observation 11: Combined Assurance for Improved Governance

55. Typically, in governance arrangements, the Audit Committee has formal independent oversight responsibilities for functions that provide assurance, compliance and oversight because of the natural linkages and alignments of the functions. At WFP, these functions include the external auditors, internal auditors, investigations, ethics and risk. When this concept is adopted, this oversight role is articulated in the Audit Committee mandate and typically covers:

- Involvement with assurance function's leadership appointments.
- Endorsing both the strategy and resourcing needs annually for each assurance function.
- Holding each assurance function to account for the quality of their work and impact.
- Aggregating the information from the assurers and advising management and/or the Board on issues of concern, strengths and trends, etc.
- Facilitating the ability to hold management accountable for implementing agreed actions in a timely way.

56. The basic requirement of this arrangement is that it permits and facilitates the concept of combined assurance to take place at the governance level, thereby enhancing assurance efficiency and effectiveness and introducing best practice.

57. In WFP, the Audit Committee is an advisory body for the ED with an extension to the EB. In its charter, the Audit Committee has formal oversight responsibility for the work of the External Auditor and the Office of Inspector General, but not for the Ethics Office and Chief Risk Officer who also provide assurance. Under the current Terms of Reference, both Risk Management and Ethics functions present to the Audit Committee without clear responsibility of the Audit Committee on the performance of the functions. The result is that the Audit Committee cannot formally hold the Ethics Office and Risk Management functions to account for the quality of work, use of resources, and impact. Nor can they hold management to account for timely implementation of agreed actions from recommendations arising through these activities.

58. If the combined assurance concept were to be fully adopted, the WFP Audit Committee oversight role would thereby be expanded to include its independent view of organizational tone as seen through the lenses of risk, ethics, audit, investigations, as well as by senior management. Its advice would be informed by the combination of assurances it receives and that underpin the various representations the ED makes to the External Auditor for financial reporting purposes, and in the Annual Report that adds operational and risk management, and behavioural elements on which donors and others rely. This is left for the Executive Director and the Audit Committee consideration in enhancing the overall tone and support of the organization.

Observation 12: Internal Communications

59. WFP has a well-functioning, effective external communications strategy and process. As WFP is a global organization, the internal communications function is strategically important as it drives down and reinforces consistent messaging from the leadership and serves to sustain these messages. Much of this is tonal in nature as it clarifies issues, closes information gaps, stops second-guessing, etc. However, to play its role to the fullest, the internal communications function needs to be well-organized and adequately resourced.

60. We noted the following:

- The internal communications function appears to be somewhat weaker than the external communications function due to vacancies in position. In particular, the two communications positions



in OED are either unfilled or the individual has been transferred out of OED, possibly weakening the link between ED messaging and internal communications across WFP.

- As a consequence, internal communications responsibilities and resources are disseminated across different departments, making cohesive, consistent, coordinated communications difficult to achieve. This results in a need for messaging from Human Resources and other departments who have communications resources to work together to ensure that internal communications are clear, concise and achieve the desired impact. Although this takes place through the efforts of many, the processes as is may be inefficient and involve far too many groups or individuals being asked to provide input, which slows the process down.
- As there is no effective mechanism to harmonize internal communications across WFP, it is not easy to ensure that messages issued at the LG level or by management further down are on-point and consistent. This has been especially notable in the follow-up to the 'External Review' press coverage in September and October of 2019 which placed management in a defensive, rather than proactive communications position.
- There appears to be no formal or requested 'feedback loop' to check that messages sent by headquarters, including messaging impacting the tone and culture of WFP, are received correctly and that the information communicated is sufficient for the recipient to respond appropriately when asked.
- There is no Social Media strategy to make use of this media to enhance internal communication effectiveness and impact in a 'managed' way.
- Resourcing for a strategic internal communications plan with resources to sustain and enhance it, is elusive.

Agreed Actions [Medium priority]

A comprehensive and effective internal communications strategy should be developed to ensure that it has impact and consistency. It should include:

- Integration of all internal communications efforts to enhance consistency and prevent mixed-messaging or overloading of messages.
- A Social Media element to make best use of this method of communication in a 'managed' way;
- Provision for a formal and requested feedback loop to check the quality of internal communication efforts.
- Adequate funding (for expert staff and effective campaigns, etc.) that is sustained – even increased over time.

Timeline for implementation

30 June 2020

Observation 13: Ethics Office

61. The Ethics Office was created in 2008 with the objective to assist the Executive Director in ensuring that all staff members observe and perform their functions in consistency with the highest standard of integrity. This office is not a new function in WFP. It should by now be at the heart of ethics and integrity issues across the WFP. The Chief Ethics Officer is independent of line management and reports to the ED, and attends meetings of both the Audit Committee and the EB to discuss the Ethics Office role and outcomes. The Ethics Office is not formally overseen by either the Board or the Audit Committee which we believe is a disadvantage to the Ethics Office and the organization. As far as Tone-at-the-Top across the WFP is concerned, the Ethics Office should have a more meaningful role in influencing WFP's culture through increased interaction with senior managers as an observer and advisor to the various management committees when relevant, including the LG when appropriate.

62. In a recent meeting, the Audit Committee suggested practical ways of prioritising Ethics Office activities around achievable goals – within current budget constraints and to set a vision to determine whether the current level of resourcing is appropriate to support these activities and goals in the future.

63. As per the ED circular establishing the office. "The Ethics Office will develop working relationships with other offices and departments, including the Oversight Services Division, the Human Resources Division, the Legal Affairs Division and the Office of the Ombudsman, to ensure satisfactory coordination. Our view is that, given the need for the organization to integrate the ED's messages and priorities into action, and with due respect for good ethics and integrity standards, as well as the working relationships principle established in the circular, the Ethics Office will need to assess the required resources it needs to implement a plan that will show progress on the culture and behaviours across the WFP in the short and medium terms.

Agreed Actions [Medium priority]

The Ethics Office should:

- (i) Revisit the multiyear goals and strategy of the Ethics Office and present this to the ED for review and approval together with a resource plan for the Ethics Office itself –that takes into account the behavioural change initiatives to address workplace culture and tone issues being implemented.
- (ii) Work closely with the Internal Communications team to ensure that ethics and integrity issues continue to be woven into WFP internal messaging.

Timeline for implementation

30 September 2020

Observation 14: Human Resources and Performance Management

64. Human Resources plays a pivotal role in performance management. Its strategy should require that behavioural objectives are integrated into the performance management system. When doing so, performance is measured to assess the extent to which there is evidence of buy-in of the desired corporate culture (tone). The results also look at how specific, human capital objectives (e.g. gender equity, equal opportunity, etc.) are modelled by the ED and across the organization. Finally, the HR Strategy should be well-informed by a detailed risk assessment and proper risk mitigation where there are unacceptable risk exposures.

65. In the case of WFP, with UN performance objectives and requirements, the organization's own multiple job grades, employment contracts, use of consultants and 3rd parties, etc., must be taken into account to set and measure performance expectations organization-wide and from the leadership downwards. The organization's management should strive to better understand and manage behaviours in an existing corporate culture that sees and judges almost everything done at the leadership level (including perceived rule-bending and unexplained



waivers of various sorts, whether rumoured or factual). All this requires careful thought, high-quality risk management, meaningful and repetitive internal communications and plans that require desired and positive behaviour to be integrated into performance standards and measurement. What the audit found was that:

- A new People Strategy is yet to be developed and approved (the previous one covered 2014 to 2017) - and a new strategy should be developed to address all the elements referred to above (focusing initially on risk assessment and mitigation).
- There is no specific, mandated, training for staff assigned to management or supervisory roles (including Country Directors) that includes a focus on Tone-at-the-Top (behavioural and ethics topics), or how to handle poor performance and other undesirable actions and behaviours in a consistent way across the WFP.
- Behavioural concerns and trends, when not directly linked to specific acts of misconduct warranting investigation, require consideration as to how the organization as a whole should respond.

Agreed Actions [High priority]

The Human Resources Division should:

- (i) Renew the People Strategy to ensure it includes the results of a proper risk assessment of key human resource risks that are identified, in part, by the GSS and the 'External Review' or are already known to the organization.
- (ii) Develop required training specifically for supervisors and managers to assist in assuming new leadership roles – and that cover behavioural and ethical issues sufficient to the roles.
- (iii) Follow-through with the initiative to incorporate 180 degree (direct report to supervisor) or 360 degree (direct report, peer, supervisor, and customer) feedback tools for leaders in key positions. Incorporate these results into an improved performance management process.
- (iv) Enforce the requirement that all staff undertake annual ethics training (on line preferably).
- (v) Enforce timely, annual performance appraisals for all staff, including the LG staff.

Timeline for implementation

30 September 2020



D: Compliance Review

66. During the audit, the WFP governance policy framework was evaluated and found to be strong and appropriate for an organization of WFP's size and complexity. The governance policy framework include those key policies that guide the behaviour and decisions of an organization (such as the Code of Conduct, Whistleblower Policy, HSHAPD Policy (Harassment, sexual harassment, abuse of power and discrimination), Anti-Fraud and Anti-Corruption Policy, etc.), ED Directives, Audit Committee and oversight group terms of reference, Delegations of Authority, etc. In all instances of review, we found no waivers or exceptions made for non-compliance of the ED or LG with any of the key governance policies of the organization.

67. In addition to expected compliance with the governance policies, WFP General Regulations and Rules provide that "the ED shall be responsible for the staffing and organization of the Secretariat. [...] shall administer the staff of WFP in accordance with FAO Staff Regulations and Rules and such special rules as may be established by the Executive Director in agreement with the Secretary-General and the Director-General". In doing so the ED "shall keep the cost of management and administration of WFP to a minimum consistent with the maintenance of efficiency and accountability and shall use the most efficient and cost effective services, including in the field."

68. The audit reviewed financial and other administrative decisions of the Leadership Group and compliance with selected organizational policies and procedures as required of the ED in the regulations cited above.

Observation 15: Direct Appointments and Promotions

69. Pursuant to FAO staff regulation 301.4 on Appointment and Promotion, "the paramount consideration in the appointment, transfer, or promotion of the staff shall be the necessity for securing the highest standards of efficiency, competence and integrity. [...] So far as practicable, selection shall be made on a competitive basis".

70. With this understanding, and noting the authority of the ED to authorize individual exceptions to the Staff Rules, we reviewed actions for the period October 2018 through September 2019 to ascertain compliance with and documented exceptions to the above rules relevant to direct appointments.

- Fourteen direct appointments and promotions that were reviewed during the audit did not follow a competitive recruitment process. Two to three promotions were granted two to three grades higher than prescribed under recruitment criteria. The nature of these specific direct appointments were repeatedly mentioned during the audit as matters of disappointment or reason to believe that favouritism or special treatment exists for a select few with the right connections. Known personal connections in a small number of direct appointments appears to be contributing disproportionately to a negative perception of Tone-at-the-Top.
- Memoranda requesting such appointments or promotions did not record the rationale as to why a competitive selection was not practicable. As this is a minimum requirement in terms of the FAO staff regulation 301.4, and from an accountability standpoint, there is room for improvement in the process.
- The audit noted a useful mitigating practice, although not consistently applied, that direct appointments were restricted to the position they were directly appointed for, with no expectation that they remain in the organization unless a proper competitive recruitment process takes place at the end of their initial term. We understand Human Resources is working on formalising the practice for consistent application.

71. This practice of direct appointment, although allowable by ED authorization of exceptions, may be viewed as a barrier to a healthy Tone-at-the-Top. When used, these appointments should be limited to a few individuals working directly with the ED for the duration of his/her term and there should be transparency provided that these special advisors serve at the request of the Executive Director and only for the stated term.

Agreed Actions [High priority]

The Executive Director should:

- (i) Exercise caution when considering direct appointments and non-advertised promotions to ensure competitive selection is maintained.

In the very exceptional cases that direct appointments and off-cycle, non-advertised promotions are approved:

- (ii) Enforce locked contracts for these direct appointments and promotions with set duration periods.
- (iii) Document a clear rationale for deviations in the memo requesting waivers for accountability purposes.

Timeline for implementation

31 March 2020

Observation 16: Class of Travel

72. Directive ODM 2012/003 and ODM 2012/005 provides that "Air travel and accommodation for the ED and DEDs has now been aligned with that of all staff"; "all staff, irrespective of grades will travel in economy class for travels of nine hours and less"; "non staff travel economy class for all flights, regardless of length of travel". The audit reviewed travel for the ED for the period October 2018 through September 2019 to ascertain compliance with the Directive.

73. An Internal Audit on the management of travel conducted in 2017 raised the need to clarify and formalize standards of accommodation for the LG. This clarification was issued in the form of an ED Memo (with limited circulation) that waived the time-based travel restriction for class of travel, reverting to the pre-2012 practice. The Directive currently posted to the intranet still refers to "all staff travelling in economy below 9 hours" without mention of the LG exception. As travel and class of travel is highly visible across WFP and is of keen interest to the organization's stakeholders, travel according to the ED Memo rather than the posted Directive looks to be lacking transparency at the level of the LG. The new rule of standard of accommodation was supposed to have been included in a 2018 revised travel manual. This has not yet been finalised and posted on the WFP intranet portal and management informed us it will be completed in February 2020.

74. The ED's prerogative to travel business class for all flight durations was extended to the ED upon advisement of security and law enforcement officials, and on an ad hoc basis, to staff and consultants travelling with the ED. Speed of airport departure was cited as the reason for moving travellers on business travel with the ED, where transportation to meeting places by group is common and meetings are held under tight timetables. More thought should be given to this decision, including the possibility of sending travellers on short duration flights by economy class of travel a day in advance of the ED visit, or simply ending this practice altogether and adhering to the travel policies as posted.

75. The audit noted that, although there is a single focal point to review and approve class of travel waivers, some were approved during the recruitment of consultants and formalized by HR. We noted that first class airline travel is not allowed for any member of staff at any level.

76. The audit noted that travel for OED, the ED, the COS and their respective office staff was approved by an OED staff member several grades lower than the traveller. This practice defeats the value of the approval control as lower level staff would not be in a position to challenge the waiver. For the rest of the LG members, their travel was approved by peers, or, in one instance, at the Director level staff, to ensure efficient control over the travel booking process.

Agreed Actions [High priority]

The Executive Director, with the support of OED and Resource Management (RM), should:

- (i) Revisit the practice of air travel waivers to ensure they remain exceptional, are tracked for visibility and accountability and are aligned with the principle of keeping the cost of management and administration of WFP to a minimum, consistent with the maintenance of efficiency and accountability.
- (ii) Expedite the revision and issuance of the Travel Manual that is an agreed action following the internal audit of Travel Management to ensure visibility and accountability on the current practice of travel for the Leadership Group.
- (iii) Ensure all travel of the OED and COS is properly approved by a peer member of the LG or by the Chief Financial Officer, in the case of the ED.

The organization should have visibility of the cost involved with such ad hoc or interim decisions before a permanent decision is made.

Timeline for implementation

31 March 2020

Observation 17: Corporate Credit Cards

77. The Corporate Credit Card programme is available to certain individuals who may be required to pay for dining and other group-related business expenses when travelling. Directive RMFT 2012/001 provides that "current holders of Corporate Credit Cards (CCCs) should include only, namely, the Executive Director, Special Assistant to the Executive Director and the Treasurer, as well as the US based Liaison Office Director and Deputies in Washington and New York. Other than these existing arrangements, no other type of CCCs will be used by WFP offices." In addition, when receiving a corporate credit card, the cardholder signs a statement that "Under no circumstances will I use the Card to make personal purchases, neither for myself nor for others." Paragraph 12 of the Directive states as a precaution that "Any use of the CCC for personal purposes shall be recovered from staff either by direct payment to WFP or through automatic salary recovery". This will need to be clarified to ensure it is not perceived as contradictory with the prohibition of personal use of the card in the agreement signed by credit card holders when receiving their card.

78. The audit noted the restricted use of CCC to only four individuals. However, other than the ED, the other cardholders did not have the titles of authorized cardholders in the Directive.

79. The audit reviewed transactions and actions for the four users in receipt of a CCC for the period October 2018 through September 2019 to ascertain compliance with rules regarding use of the CCC. There was non-compliance with the 2012 Directive on who could use CCCs with cards issued to two cardholders of OED/COS below the Director level who did not appear to meet the 2012 cardholder criteria. At the time of the issuance of the report, the CCCs of these cardholders were returned and cancelled. Limits per purchase/ per month were in some instances exceeded, and it was acknowledged by Resource Management (RM) that this policy required updating to reflect current practices and to remove inconsistencies.

80. For one user, a substantial amount of personal purchases was noted, which required extensive efforts by staff to reconcile statements to traveller receipts, leading to delays of up to several months for recovery. Reconciliation and recovery of personal expenses was not timely and was not accurately calculated. This practice also created a risk that, due to the lack of monitoring and approval of these expenses, the approval process is bypassed and could result in errors in the recording of business expenses. Once brought to his attention by the audit, the ED



asked for immediate resolution and that the cardholder reconcile and submit all relevant receipts to settle the account.

81. For purchases made through the CCC there is no check against budgets to ensure funding was available prior to purchase. Also, when hotel accommodations or travel meals are purchased directly using the CCC, there was no check to ensure that the spending was within the Daily Subsistence Allowance (DSA) for air travel, meals, incidentals, and hotel costs. However, the practice of having a CCC limits the cardholder from receiving certain travel related DSA payments (per diem payments). CCC users are not required to use personal credit cards for travel, therefore, no overpayment of DSA is expected in these circumstances.

82. For expenses incurred by the ED, we noted that OED was employing a robust process of reconciliation and was diligent in obtaining the supporting documentation related to these charges. This process was notably enhanced at the beginning of 2019.

Agreed Actions [High priority]

The Executive Director, with RM, should:

- (i) Revisit the Directive to confirm who may receive a CCC, consider limiting distribution of a CCC to only the ED, with all others following DSA protocols for travellers, and review the process to enforce the 'no personal expense' requirement.
- (ii) Allow recipients of the cards to access online statements for the for timely monitoring and follow up, including identification of unauthorized, unrecognized, or fraudulent charges.
- (iii) Hold cardholders accountable to provide full supporting evidence for the use of the CCC on a timely basis and to ease the burden on other staff tasked with reconciling the credit card to support business expenses.
- (iv) Resolve any outstanding reconciliation of official and personal expenses and settle either through recoveries for WFP or reimbursement to the cardholder without delay.

Timeline for implementation

Completed - Review and closure will be done following issuance of the report in OIGA's system to track the implementation of recommendations.

Observation 18: Budget Review

83. The audit reviewed actions and transactions for the period October 2018 through September 2019. Review of the LG members' front office budgets showed expenses for the African Risk Capacity (ARC)³ assigned to one of the AEDs who has no accountability for this activity. Car service costs on the contrary were not charged on the front office budgets for the individuals using these services but were instead included in the Security Division budget until May 2019, then moved to the Facilities Management Division once the Security Division budget was exhausted.

³ ARC is a Specialized Agency of the African Union which shares the goal of promoting food security with WFP. While ARC is a separate legal entity, its financial and operating policies with reference to this agreement are subject to WFP rules. Funds received under this agreement are held under an ARC Trust Fund by WFP. WFP provides technical, administrative, personnel, and project management services to ARC. The Director-General of the ARC is employed by WFP and is accountable to both the WFP Executive Director and ARC. WFP and the African Risk Capacity (ARC) Agency signed an administrative service agreement, considered a joint operation where, based on the terms of the agreement, the financial transactions of ARC are consolidated within WFP financial statements.



84. Transparency and accountability would be increased with stronger discipline in the budget nomenclature and cost accounting practices.

Agreed Actions [Medium priority]

RMB should:

- (i) Create a separate Fund Centre for the African Risk Capacity.
- (ii) Allocate the Car Service budget among the few users eligible to use the services – and away from Security so that costs can be controlled on a user-by-user basis.

Timeline for implementation

31 March 2020

Observation 19: Car Services

85. Standard Operating Procedures for headquarter (HQ) vehicles dated November 2018 provides for “the commute from home to the HQ and back for the ED and the members of WFP Leadership Group as part of their representational functions.” It only provides for the use of these services when on official business. In 2015, the arrangement for the provision of drivers to the ED and other LG members was revised with the effect that LG members used an outsourced car service while the ED retained the use of a dedicated WFP driver and car. A 2017 internal audit on HQ Security recommended that a personal security risk assessment be conducted for the ED to decide an adequate level of security detail based on risk. This was done and approved by the Designated Official in May 2019. Recruitment to engage the required security escort was in its final stages at the time of the audit report issuance.

86. As indicated earlier, costs for the car services are borne by the Security Division, with the Security Front desk liaising between the LG front offices and the limousine service drivers. This was noted to be time consuming and inefficient. The arrangements for the use of the LG car service were clarified and this was remedied by a procedural memo issued in November 2019.

87. Finally, there was an increase in the annual budget and use of the car service over the last two years (2017 - Euro 12,000; 2018 – Euro 47,000; and 2019 (to September) – Euro 46,000). As indicated under Observation 18, the car service costs were included in the Security Division budget until May 2019, then moved to the Facilities Management Division once the Security Division budget was exhausted.

Agreed Actions [Medium priority]

HR, in coordination with the Security office, should expedite the onboarding or training and certification of the ED’s driver to ensure security detail availed to the ED is aligned to Security requirements as soon as possible.

Timeline for implementation

31 March 2020



Observation 20: Performance Appraisal Compliance

88. As noted earlier, performance objectives were not documented in the PACE performance system for the LG members, and were not always available for Regional Directors. Without performance objectives for senior leaders, it is not possible to complete proper performance assessments – a requirement for all other WFP staff.

89. In the front offices of LG members and OED/COS specifically, the audit found that multiple performance assessments for 2018 were still outstanding beyond the deadline for completion and submission to HR.

Agreed Actions [Medium priority]

The Executive Director, with the Leadership Group and HR, should:

- (i) Ensure compliance with the PACE process and timelines when LG members are first level supervisors for others.
- (ii) Re-establish the formal performance assessment process for members of the OMG (LG members and RDs).

Timeline for implementation

31 March 2020

Observation 21: Use of the Executive Director Digital Signature

90. The ED's approval can either be evidenced by his handwritten or his electronic signature. Permission to use the ED's electronic signature is entrusted to a single OED staff member. The way it works is that the ED's electronic signature is affixed to the document when an email to do so is received from the COS or Director OED confirming the ED's approval to use his electronic signature. No further evidence is kept of the ED's approval to ensure the approvals occurred in advance of use of his digital signature.

91. The process requires strengthening as a result of the extensive use by the ED of instant messaging applications to communicate his decisions, including authorization to use of his electronic signature in his absence. The instant messaging system used is retained on the cell phone of the user, but not saved to the WFP servers. Thus, this information is not always recoverable if needed.

Agreed Actions [High priority]

OED, with support from Information Technology and Legal, should:

- (i) Implement a formal procedure to ensure proper control to prevent unauthorized or fraudulent use of the ED's electronic signature.
- (ii) Require comprehensive documentation and tracking of use of the electronic signature for full accountability purposes and to apprise the ED when and why his electronic signature was used in his absence.
- (iii) As a result of the risk identified in the control and documentation to evidence the use of the ED electronic signature, review with the Executive Director all approvals granted through electronic signature to date to ensure these are in line with his instructions and evidence his review and acceptance.

Timeline for implementation

31 March 2020



Annex A – Summary of Observations

The following tables shows the categorisation, ownership and due date agreed with the auditee for all the audit observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

High priority observations	Categories for aggregation and analysis:				Implementation lead	Due dates
	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic: Risks (ERM)	Processes (GRC)			
4 Staff Surveys	Governance	Governance & oversight risks	Human resources	OED	To be determined in the context of the Comprehensive Action Plan in February 2020.	
5 ED 's Messages and Timeliness of Follow-Through	Strategic management & objective setting	Governance & oversight risks	Administration	OED	30 June 2020	
6 Leadership Organizational Arrangements	Strategic management & objective setting	Governance & oversight risks	Administration	OED	30 June 2020	
7 Leadership Role Clarification: DED and AEDs	Governance	Governance & oversight risks	Administration	OED	30 June 2020	
8 Leadership Role Clarification: CoS	Governance	Governance & oversight risks	Administration	OED	30 June 2020	
14 HR and Performance Management	Strategic management & objective setting	Governance & oversight risks	Human resources	HRM	30 September 2020	
15 Direct Appointments and Promotions	Human resources management	Governance & oversight risks	Human resources	OED	31 March 2020	
16 Class of Travel	Travel management	Governance & oversight risks	Administration	OED	31 March 2020	
17 Corporate Credit Card	Financial management	Governance & oversight risks	Finance and budget	OED	Completed (to be reviewed and closed by OIGA)	



High priority observations	Categories for aggregation and analysis:				Implementation lead	Due dates
	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic:				
		Risks (ERM)	Processes (GRC)			

21	Use of ED Digital Signature	Management oversight	IT & Communications risks	Technology	OED	31 March 2020
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Medium priority observations	Categories for aggregation and analysis:				Implementation lead	Due date(s)
	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic:				
		Risks (ERM)	Processes (GRC)			

9	Leadership Role Clarification: CoS and OED	Governance	Governance & oversight risks	Administration	CoS OED	30 June 2020
10	Leadership Role Clarification: CoS and RDs	Governance	Governance & oversight risks	Administration	OED	30 June 2020
12	Internal Communications	Communication & advocacy	Governance & oversight risks	Administration	OED	30 June 2020
13	Ethics Office	Governance	Governance & oversight risks	Risk management	ETO	30 September 2020
18	Budget Review	Budget management	Governance & oversight risks	Finance and budget	RMB	31 March 2020
19	Car Services	Facilities management & services	Employee health, safety and security risks	Administration	HRM	31 March 2020
20	Performance Appraisal Compliance	Human resources management	Governance & oversight risks	Human resources	OED	31 March 2020

Annex B – Definitions of Audit Terms: Ratings and Priority

1 Rating System

The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below:

Table B.1: Rating system

Rating	Definition
Effective / satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well, to provide reasonable assurance that issues identified by the audit were unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory / some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
Partially satisfactory / major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated.

2 Priority of Agreed Actions

Audit observations are categorized according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Table B.2: Priority of agreed actions

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.⁴

⁴ An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

To facilitate analysis and aggregation, observations are mapped to different categories:

3 Categorization by WFP’s Audit Universe

WFP’s audit universe⁵ covers organizational entities and processes. Mapping audit observations to themes and process areas of WFP’s audit universe helps prioritize thematic audits.

Table B.3: WFP’s 2019 Audit Universe (Themes and Process Areas)

A	Governance	Change, reform and innovation; Governance; Integrity and ethics; Legal support and advice; Management oversight; Performance management; Risk management; Strategic management and objective setting.
B	Delivery	(Agricultural) Market support; Analysis, assessment and monitoring activities; Asset creation and livelihood support; Climate and disaster risk reduction; Emergencies and transitions; Emergency preparedness and support response; Malnutrition prevention; Nutrition treatment; School meals; Service provision and platform activities; Social protection and safety nets; South-south and triangular cooperation; Technical assistance and country capacity strengthening services.
C	Resource Management	Asset management; Budget management; Contributions and donor funding management; Facilities management and services; Financial management; Fundraising strategy; Human resources management; Payroll management; Protocol management; Resources allocation and financing; Staff wellness; Travel management; Treasury management.
D	Support Functions	Beneficiary management; CBT; Commodity management; Common services; Constructions; Food quality and standards management; Insurance; Operational risk; Overseas and landside transport; Procurement – Food; Procurement - Goods and services; Security and continuation of operations; Shipping - sea transport; Warehouse management.
E	External Relations, Partnerships and Advocacy	Board and external relations management; Cluster management; Communications and advocacy; Host government relations; Inter-agency coordination; NGO partnerships; Private sector (donor) relations; Public sector (donor) relations.
F	ICT	Information technology governance and strategic planning; IT Enterprise Architecture; Selection/development and implementation of IT projects; Cybersecurity; Security administration/controls over core application systems; Network and communication infrastructures; Non-expendable ICT assets; IT support services; IT disaster recovery; Support for Business Continuity Management.
G	Cross-cutting	Activity/project management; Knowledge and information management; M&E framework; Gender, Protection, Environmental management.

4 Categorization by WFP’s Governance, Risk and Compliance (GRC) Logic

As part of WFP’s efforts to strengthen risk management and internal control, several corporate initiatives and investments are underway. In 2018, WFP updated its Enterprise Risk Management Policy⁶, and began preparations for the launch of a risk management system (Governance, Risk & Compliance – GRC – system solution).

As a means to facilitate the testing and roll-out of the GRC system, audit observations are mapped to the new risk and process categorisations as introduced⁷ by the Chief Risk Officer to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

⁵ A separately existing universe for information technology with 60 entities, processes and applications is currently under review, its content is summarised for categorisation purposes in section F of table B.3.

⁶ WFP/EB.2/2018/5-C

⁷ As per 1 January 2019, subsequent changes may not be reflected in 2019 audit reports.

Table B.4: WFP’s new ERM Policy recognizes 4 risk categories and 15 risk types

1	Strategic	1.1 Programme risks, 1.2 External Relationship risks, 1.3 Contextual risks, 1.4 Business model risks
2	Operational	2.1 Beneficiary health, safety & security risks, 2.3 Partner & vendor risks, 2.3 Asset risks, 2.4 ICT failure/disruption/attack, 2.5 Business process risks, 2.6 Governance & oversight breakdown
3	Fiduciary	3.1 Employee health, safety & security risks, 3.2 Breach of obligations, 3.3 Fraud & corruption
4	Financial	4.1 Price volatility, 4.2 Adverse asset or investment outcomes

Table B.5: The GRC roll-out uses the following process categories to map risk and controls

1	Planning	Preparedness, Assessments, Interventions planning, Resource mobilisation and partnerships
2	Sourcing	Food, Non-food, Services
3	Logistics	Transportation, Warehousing
4	Delivery	Beneficiaries management, Partner management, Service provider management, Capacity strengthening, Service delivery, Engineering
5	Support	Finance, Technology, Administration, Human resources
6	Oversight	Risk management, Performance management, Evaluation, Audit and investigations

5 Monitoring the Implementation of Agreed Actions

The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions is verified through the Office of Internal Audit’s system for the monitoring of the implementation of agreed actions. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP’s operations.

OIGA monitors agreed action from the date of the issuance of the report with regular reporting to senior management, the Audit Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, OIGA will issue a memorandum to Management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, OIGA continues to ensure that the office in charge of the supervision of the Unit who owns the actions is informed. Transparency on accepting the risk is essential and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. OIGA informs senior management, the Audit Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



Annex C – Acronyms

ARC	African Risk Capacity
AED	Assistant Executive Director
CCC	Corporate Credit Card
COS	Chief of Staff
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DED	Deputy Executive Director
DSA	Daily Subsistence Allowance
EB	Executive Board
ED	Executive Director
EMG	Executive Management Group
GMM	Global Management Meeting
HR	Human Resources
HSAPD	Harassment, Sexual Harassment, Abuse of Power, Discrimination
HQ	Headquarters
JWG	Joint Working Group
LG	Leadership Group
OED	Office of the Executive Director
OIC	Officer-in-Charge
OMG	Operational Management Group
RB	Regional Bureau
RD	Regional Director
RM	Resource Management Department
RMB	Budget and Programming Division
WFP	World Food Programme