Informal Consultation on Oversight Matters

September 2017
Agenda

- Enterprise Risk Management & Internal Controls overview
- Proactive Integrity Reviews update
- Office of the Inspector-General update
Informal Consultation on Oversight Matters

*Enterprise Risk Management and Internal Controls*

September 2017
Enterprise Risk Management and Internal Controls

Areas of discussion

- Frameworks and Control Environment
- Evolution of ERM and Internal Controls
- Strengthening ERM and Internal Controls Corporately
Frameworks and Control Environment
2011 Oversight Framework & Reports Disclosure Policy

“...comprehensive framework for WFP’s oversight...”
HLCM* Three Lines of Defence– 2014

* HLCM : High-Level Committee on Management

**Governing Body**
- Comply with the UN legislative Framework;
- Recognize and direct Organizational compliance with UN Policies;
- Establish Audit Advisory Committee/ sub committees ToRs;

**Senior Management**
- Implement the Financial Regulations and Rules framework (the framework is approved by the Governing Body);
- Administration of Delegation of Authority;

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**Control mechanisms**

**First line of defense:**
- **Internal controls:** Functions/guides owning/managing risk
  - Internal control Framework;
  - Contract/ partner engagement management – LOU/ MOU/ contract;
  - Staff/ consultant personnel policies;
  - Procurement policies;
  - Other policies and procedures.

**Second line of defense:**
- **Management controls:** Functions overseeing risk
  - Planning/ budgeting processes;
  - Quality Management/ assurance;
  - Results & performance BSC;
  - Risk management;
  - Safety and security;
  - Project Audit – through reliance on external auditors (where relevant)

**Third line of defense:**
- **Independent Assurance:** Functions providing independent assurance
  - Internal Audit – Chart, IPPF compliant etc;
  - Investigations – Charter, CFE code compliant etc.
  - Ethics – Mandate;
  - Evaluation – Mandate, UNEG compliant etc. (where relevant);

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**External Audit (UN BOA)**
Other External groups outside the organization
with an assurance role (e.g., the IJU)
WFP’s Three Lines of Defence Model

First Line of Defence
- Management Controls
- Internal Control Measures

Second Line of Defence
- Financial Controls
- Security
- Risk Management
- Quality
- Legal
- Ethics

Third Line of Defence
- Office of the Inspector General
- Office of Evaluation

Governing Body/Board/Audit Committee

Senior Management

External Audit

UN System Regulatory Bodies

Adapted from: ‘Leveraging COSO Across the Three Lines of Defense’, Institute of Internal Auditors, July 2015

“... harmonized with ... UN bodies”
WFP’s Internal Control Framework

Sets organization’s objectives

Framework used to assess risk and manage control to accomplish objectives

Organizational structure to execute risk and control duties

* Adapted from: Committee of Sponsoring Organizations of the Treadway Commission, 2013
For L2/L3 operations, risk is systematically assessed through Strategic and Operational task forces. Corporate risks are analysed every quarter. Specific issues of concern escalated to senior management/EMG through the Corporate Risk Register review, Global Risk Report.

At the process level, there are ongoing contextual analyses, security risk assessments, financial risk reviews, etc. High-level risks are escalated to the EMG.

At the unit level, all offices assess and review risks periodically, register them with mitigation actions and specific owners in the corporate ERM tool for risk registers, as well as review operational risk indicators.

WFP’s ERM Framework

“…operating model envisaged under the IRM…”
Internal processes in managing risks and assessing mitigation actions

L2/L3 operational risks are managed within the OTF and STF

3rd Line/External

Senior Management Consultations
CO, RB + HQ Risk Registers

1st/2nd line

Oversight Findings
Evaluation Evidence

“...roles & responsibilities...”
WFP and the Audit Committee

Focused and facilitated discussion on thematic priorities and key risks

Executive Management Group (quarterly)
Audit Committee (at its three meetings a year)

"...oversight framework..."
WFP and the Executive Board

• Annual reports submitted at the June session each year as part of the discussion on Resource, Financial and Budgetary matters

• Quarterly informal consultations on Oversight matters from 2017

• Quarterly operational briefings to the Executive Board will include an ERM review of WFP’s operational and implementation risks – from 2018

“…oversight framework…”
Evolution of ERM and Internal Controls in WFP
Evolution of ERM and Internal Controls in WFP

2005
- WFP’s 1st Enterprise Risk Management policy
- QCPR

2010
- ERM Integration in Performance Management 1st AFAC Policy
- JIU review of ERM

2011
- Corporate Risk Register 1st IC Framework

2012
- Risk Appetite statement
- Risk Appetite update

2013
- UN system ERM support
- Maturity assessment of ERM

2015
- ERM policy IC Framework AFAC Policy
- Internal Audit Strategy “alignment and targeted support to ERM”

2016
- ERM Office New COSO ERM Framework
- PIR pilot

2017
- ERM’s efforts to strengthen its Enterprise Risk Management…

“…WFP’s efforts to strengthen its Enterprise Risk Management…”
Strengthening ERM and Internal Controls Corporately
Key Deliverables for Strengthening ERM and Internal Controls

- Clarify and define **HQ and RB oversight, including roles and responsibilities** within the new operating model.

- Revise the **Risk Appetite statement** with Risk Metrics.

- Develop **Risk Taxonomy** and implement an integrated organizational risk management and internal controls system.

- Design **induction training** and incorporate topics on risk management and internal control in other functional trainings.

- Establish management **Anti-Fraud Anti-Corruption function**
  - Enhance counter fraud and corruption efforts
  - Complement independent assurance activities

- Dashboards for improved accountability and oversight

- Include **assessment on risk management into the PACE** and take this into account when deciding on promotion and reassignment of staff.
New ERM Office – 4Q2017

Chief Risk Officer

Enterprise Risk Management

Risk & Compliance Network

Internal Controls & Management Oversight

“…vision for WFP’s control environment…”
## Enterprise Risk Management

<table>
<thead>
<tr>
<th>Activity</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Risk Register follow-up &amp; reporting</td>
<td>Every Quarter</td>
</tr>
<tr>
<td>Coordination and reporting on ERM investments</td>
<td>Henceforth</td>
</tr>
<tr>
<td>ERM policy &amp; Risk Appetite review</td>
<td>To be finalised in 2018</td>
</tr>
<tr>
<td>Governance, Risk &amp; Controls System - development and implementation</td>
<td>To be developed in 2018</td>
</tr>
</tbody>
</table>
## Risk & Compliance Network

<table>
<thead>
<tr>
<th>Functional oversight of Risk &amp; Compliance Advisors in RB/CO</th>
<th>Ongoing</th>
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</thead>
<tbody>
<tr>
<td>Training and tools support for high risk areas</td>
<td>Ongoing, new tools in 2018</td>
</tr>
<tr>
<td>Internal Controls &amp; Management Oversight</td>
<td>Statement on Internal Control with underlying Assurance Statements</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>JIU, External Audit, Internal Audit &amp; PIR follow-up &amp; reporting</td>
</tr>
<tr>
<td></td>
<td>Central Coordination of Donor Reviews</td>
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<tr>
<td></td>
<td>Anti-Fraud &amp; Anti-Corruption Management Function</td>
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</table>
## Investments in ERM and Internal Control (2017-2018)

<table>
<thead>
<tr>
<th>Division/Office</th>
<th>Description</th>
<th>CCI</th>
<th>Institutional Strengthening</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>ERM Office</td>
<td>Governance, risk and control system</td>
<td>-</td>
<td>1.7</td>
<td>1.7</td>
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<tr>
<td></td>
<td>Field training and support</td>
<td>0.4</td>
<td>-</td>
<td>0.4</td>
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<tr>
<td></td>
<td>Central coordination of donor reviews</td>
<td>-</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Cash-Based Transfers</td>
<td>Data management and analytics</td>
<td>1.9</td>
<td>1.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Administration</td>
<td>Enhance Admin Manual, tools and guidance</td>
<td>0.5</td>
<td>0.4</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Strengthen internal control and fraud prevention in CO Admin</td>
<td>-</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Upgrade performance management and tools</td>
<td>0.7</td>
<td>0.1</td>
<td>0.8</td>
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<tr>
<td>Corporate</td>
<td>RB oversight, roles and responsibilities, and geographic span</td>
<td>0.5</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Field training and support</td>
<td>1.0</td>
<td>0.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>Enhanced normative guidance and updated governance, strengthened vendor</td>
<td>-</td>
<td>3.7</td>
<td>3.7</td>
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<tr>
<td></td>
<td>management system, automation, training</td>
<td>-</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Partnerships and advocacy</td>
<td>Civil society capacity strengthening initiative</td>
<td>-</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

**Total: 5.0  10.7  15.7**