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Executive Board documents are available on WFP's website (<https://executiveboard.wfp.org>).

Annual report of the Independent Oversight Advisory Committee

Draft decision*

The Board takes note of the annual report of the Independent Oversight Advisory Committee (WFP/EB.A/2024/6-C/1).

To the Executive Board

The WFP Independent Oversight Advisory Committee is pleased to submit its annual report to the Executive Board for consideration, as required under the WFP Independent Oversight Advisory Committee terms of reference¹ decided at the 2011 second regular session of the Executive Board, updated at the 2017 annual and second regular sessions and revised at the 2018 and 2021 second regular sessions.

The report is intended as a summary of the principal activities and opinions of the Independent Oversight Advisory Committee from 1 April 2023 to 31 March 2024. The latter date coincides with the finalization of the annual financial statements – an important focus of the committee. More detailed information on the committee's activities can be found in the Independent Oversight Advisory Committee's meeting minutes and summaries of discussions with the WFP Executive Board Bureau.

The observations provided by the Independent Oversight Advisory Committee are based on representations from management, WFP's oversight functions and the External Auditor. The committee stands ready to discuss the report or any other aspect of its work with the Board.

Robert Samels
Chairperson
April 2024

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

¹ "Revised title and terms of reference of the Audit Committee" (WFP/EB.2/2021/9-A).

Introduction

1. During the reporting period, record numbers of people continued to face acute food insecurity around the world, in large part as a result of conflict and climate change. However, owing to budget shortfalls, WFP was able to reach 150 million people in 2023, 10 million fewer than in 2022.
2. Despite unprecedented needs, WFP's total revenue declined significantly in 2023, amounting to USD 9.1 billion, a 37 percent decrease compared to USD 14.4 billion in 2022. Cognizant of the immense pressures on the organization, the Independent Oversight Advisory Committee (IOAC) was pleased to note progress made in areas such as risk management, internal audit, the management of cooperating partners, and ethics. In line with its terms of reference, the committee provided advice and guidance on a wide range of issues, in particular encouraging WFP to continue to work on coordination between its various oversight functions, the implementation of evaluation recommendations and misconduct prevention, particularly for cooperating partners. The IOAC also examined the Executive Director's assurance statement, considering the usefulness of the exercise and the potential for reducing the burden of risk identification on country offices.
3. While there are clear areas of opportunity for improvement, including lessons learned from the Ethiopia situation, no material weaknesses were identified in the governance, risk management or control processes in WFP that would seriously compromise the overall achievement of WFP's strategic and operational objectives. Further, no material misstatements in the annual financial statements of WFP for the year ended 31 December 2023 were brought to the IOAC's attention.
4. During the reporting period, the committee engaged in deep dive sessions on information technology (IT), beneficiary identity management and cash-based transfers, and cooperating partner management and gained insight into operational challenges through detailed discussions with the Country Director for Bangladesh, in addition to exchanges with the Deputy Regional Director for Asia and the Pacific.
5. The 164th meeting of the IOAC was held at the Bangladesh country office in Dhaka, which afforded committee members a much-appreciated opportunity to visit a range of WFP operations and interact with representatives of the Government of Bangladesh and the United Nations Resident Coordinator.

Summary of activities and observations

6. The IOAC met in-person four times during the reporting period – in July 2023, September 2023, December 2023 and March 2024. Between formal meetings, telephone conferences were held by IOAC members or by the IOAC Chair with the Inspector General, WFP management, the External Auditor and the Executive Board Secretary. The Executive Director or the Deputy Executive Director met with the IOAC at all of its meetings. The IOAC continued with the practice of holding executive sessions with the Chief of Staff and the Inspector General at each of its meetings, and also met with the Director of Internal Audit, the Director of Inspections and Investigations, the Director of Evaluation, General Counsel and the Director of Ethics.
7. At the end of each formal session, the IOAC met with the Executive Board Bureau, who provided the consolidated views and priorities of WFP's Member States. This interaction remains the IOAC's primary means of advising the Board on the status of WFP's governance, ethics, evaluation, risk and control efforts.

8. The IOAC believes that it has fulfilled all its responsibilities established in the terms of reference for the reporting period and carried out its duty in an effective and efficient manner.
9. The observations and guidance provided by the IOAC during the reporting period are summarized below.

Finance

10. The annual financial statements for 2023 were presented to the IOAC. The statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS) and reflected the adoption of IPSAS 41, on financial instruments, on 1 January 2023. The IOAC noted that IPSAS 43, on leases; IPSAS 44, on non-current assets held for sale and discontinued operations; IPSAS 45, on property, plant and equipment; and IPSAS 46, on measurement, were to be adopted by 1 January 2025.
11. In 2023, after seven consecutive years of growth, contribution revenue decreased by 41 percent to USD 8.3 billion. Combined with a 5 percent decrease in expenses and a 138 percent increase in other revenue, the decline in total revenue was 37 percent, resulting in a deficit of USD 1.7 billion as of 31 December. The deficit was the result of a timing gap in revenue and expense recognition, as surpluses from prior years were used in 2023.

Resourcing

12. The IOAC continued to consider and suggest ways of addressing funding shortfalls and introducing cost-saving measures throughout WFP. These included maintaining efforts to increase donor contributions; prioritizing cost items and activities so as to inform decision making on where cuts could best be made; engaging in long-term scenario planning in preparation for a future of reduced income; increasing WFP's use of shared services; and strengthening communications to donors on the effects of funding shortfalls on WFP's ability to fulfil its mandate.

The Office of the Inspector General

13. The IOAC received updates from the Office of the Inspector General (OIG) on its workplans, caseloads, budget, staffing and the implementation of outstanding recommendations.
14. Noting that the small increase in OIG's budget for 2024 was insufficient to meet the increased workload of the Office of Inspections and Investigations (OIGI), which had seen a 50 percent increase in its caseload in 2023, and the Office of Internal Audit (OIGA), whose responsibilities were increased by the global assurance project, the IOAC cautioned that this might affect OIG's ability to deliver on the expectations of the Executive Board and senior management. Similarly, the cutting of budgets and staff across WFP brought potential for additional risk and the loss of monitoring capacity.
15. Among observations made to OIGA during the reporting period, the IOAC reiterated its recommendation on assigning responsibility for the implementation of each audit recommendation to a member of the leadership team and requested a report on the ageing of high-risk overdue action items, with a breakdown by owner in the new organizational structure, so that they could identify the issues to be raised with senior management. They also repeated their call for stronger assessment and oversight of government partners – given the significant WFP resources and funding those partners managed – in line with the oversight to which other cooperating partners were subjected. In addition, audit reports on IT-related matters highlighted the need to focus on IT risk management and security.
16. There were several significant recurring audit findings that were raised by OIG and a slight increase in the number of overdue high-risk audit recommendations. The IOAC encouraged senior management to increase their efforts in addressing this situation.

17. The IOAC noted a positive trend in investigation cases handled, showing that the recent appointments of additional staff members were helping. Welcoming the proposal of asking management to take responsibility for more cases – including those involving financial issues of low significance and risk – while OIGI focused on more critical cases, the IOAC requested information on where new investigation cases were coming from in the new organizational structure, the proportions of cases involving staff members of D-1 level or above in WFP and other United Nations entities, and any changes in the profile of cases in terms of the number of senior staff members implicated.
18. Regarding the external quality assessment of OIGI, which had been deferred to 2024, the IOAC asked that it be afforded the opportunity to review and comment on the shortlist of organizations selected for the review panel, meet the candidates and review the terms of reference and have an opportunity to discuss the draft findings with the review panel.

External audit

19. During the reporting period, the IOAC held four meetings with the *Bundesrechnungshof* of Germany, appointed as WFP External Auditor for the term 1 July 2022 to 30 June 2028. The committee considered the External Auditor's workplan and provided feedback on the themes and timing of performance audits.
20. The External Auditor was completing the audit of the WFP financial statements for the year ended 31 December 2023 and was expecting to issue an unmodified opinion. The IOAC will review the results of the performance audits and the audit recommendations at its July 2024 meeting; however, the External Auditor informed the IOAC that there were no material issues that would impact the financial statements.
21. Over the reporting period, the IOAC noted good progress in the implementation of new external audit recommendations and the closure of outstanding ones.

Evaluation

22. The IOAC examined the workplan of the evaluation function, the corporate evaluation strategy, the evaluation policy and, at its March 2024 meeting, key messages to be included in the annual evaluation report for 2023.
23. Noting that the Office of Evaluation (OEV) had acted on much of the advice that they had given at previous meetings, the IOAC welcomed the office's efforts to communicate the value of its work in generating efficiency and effectiveness gains throughout WFP and recommended the development of stronger indicators of those gains. Given the value of evaluation insights in informing strategic discussions, the IOAC expressed its support for the inclusion of evaluation findings in the design of WFP reorganization.
24. The committee applauded the improved implementation rate of evaluation recommendations and welcomed the planned inclusion of evaluation recommendations in the central tracking system together with recommendations from other oversight activities. Regarding overdue recommendations, the IOAC observed that delays in implementation were often the result of the complexity of the recommendations concerned; they therefore advised that evaluation recommendations not contain multiple actions that were difficult to implement simultaneously and were likely to require extended deadlines for completion. To encourage the timely implementation of recommendations, the committee emphasized the importance of assigning the responsibility for high-risk recommendations to senior management and suggested that the Executive Board request regular updates on the status of overdue recommendations from management.
25. During their discussions of country strategic plan evaluations, the IOAC agreed with OEV that the policy of evaluating every country strategic plan did not represent the most effective

use of evaluation resources. They encouraged OEV to explore alternative coverage norms – including the use of findings from performance and other audits or joint and inter-agency evaluations – and present their findings to the Board along with the costs of the current policy.

26. Other advice provided to OEV included seeking to “do more with less” by reducing the scope and length of evaluation reports and providing regional bureaux and country offices with more guidance on the topics and timing of decentralized evaluations.
27. The IOAC expressed its willingness to participate in the panel for the United Nations Evaluation Group’s peer review of WFP’s evaluation policy, to be held in 2025 or 2026, and requested an opportunity to comment on the terms of reference for the review to ensure that it meets the committee’s needs.

Coordination of the oversight functions

28. Following up on a recommendation from the Joint Inspection Unit (JIU) in its most recent report on audit and oversight committees, the IOAC emphasized the value of coordination among the oversight functions in helping to minimize the burden of oversight work on country offices and achieve synergy between the respective roles and responsibilities of the various oversight functions. Accordingly, during the reporting period the IOAC held in-depth discussions with all related functions to understand existing coordination mechanisms and highlight the scope for more effective coordination.
29. During the reporting period, the IOAC was pleased to note progress in coordination between WFP’s oversight functions, with OIGA and OEV holding regular planning meetings, which included the External Auditor, and developing a dashboard showing the timing and topics of planned and completed audits and evaluations. Acting on the committee’s advice, OIGA and OEV were working on a joint assessment of cooperating partners, which was based on OEV’s synthesis of evaluation evidence on cooperating partners (to be presented to the Board at its second regular session in 2024), with OIGA adding evidence from audits carried out in 2024 or before. The report on the joint assessment would serve as a knowledge tool rather than providing recommendations for action. In addition, IOAC’s advice regarding the coordination of work on the prevention of sexual exploitation and abuse (PSEA) had resulted in OIGA delaying its planned assessment and instead deciding to contribute to OEV’s work on the topic over the coming years.

Accountability

30. Taking note of the impressive progress made in the strengthening of WFP’s risk management function over the reporting period, the IOAC commended the Risk Management Division (RMD) for its prompt action on the advice put forward by the committee, including the inclusion of resource constraints, staff safety and the impact of the reorganization of WFP’s internal structure in the corporate risk register.
31. The IOAC was also pleased to note significant progress in addressing issues that they had flagged at previous meetings. Regarding the creation of a consolidated accountability and oversight framework, as recommended by the JIU, the committee welcomed the introduction of the R2 risk and recommendation tracking management tool and the possible inclusion of evaluation recommendations in the oversight mandate of RMD and urged RMD to deliver the consolidated framework before the current completion date of February 2026. The IOAC also recommended that management accelerate its work on the development of tools and systems for the management of government cooperating partners and the escalation of risks at the field and country levels to headquarters.

32. Other advice included strengthening the role of regional bureaux in ensuring that country office risk registers reflected the regional setting; comparing the findings of self-assessments with those from oversight bodies; ensuring headquarters and global offices submit a risk register; and enabling WFP's risk profile to be corroborated by the oversight functions, particularly OIGA.
33. Having been briefed on the lessons learned from the food diversion case in Ethiopia, the IOAC applauded the rapid action taken and the organization-wide approach to addressing identified gaps in oversight through the reassurance action plan and the global assurance project. The IOAC emphasized that some level of risk was inevitable in humanitarian operations and advised management to strengthen communication with donors and the Board to raise their awareness of risks and of the time and resources required to manage them.

Programming

34. During its discussions with WFP management and in deep-dive sessions with the Cash-based Transfers Division, the Technology Division and the Partnerships and Innovation Department, the IOAC made a number of suggestions related to programming.

Cash-based transfers and beneficiary identity management

35. Having received briefings on an external review of WFP's digital beneficiary information and transfer management platform, and progress in the development of the identity management road map, the IOAC emphasized the importance of ensuring that any new corporate IT system take into account the diverse situations of country offices and other users and contain the application programming interfaces needed to operate in tandem with existing corporate tools.
36. The committee also encouraged management to clarify the elements of corporate IT architecture that were to be funded by country offices, ensure that costing models were fair to country offices and inform country offices of any IT tools under development while minimizing – and preferably eradicating – their use of “shadow” IT solutions.

Information technology

37. After examining the IT strategy, the IOAC noted that WFP faced challenges including fragmented systems, limited interoperability and weaknesses in monitoring. They advised management to design key performance indicators while mapping out the IT architecture rather than later and warned that challenges relating to shadow IT, the funding model and authority had to be addressed before the strategy could be implemented.
38. Other recommendations included considering the full costs of maintaining any system before introducing it; clarifying how the costs of implementing the IT strategy would be shared between headquarters, regional bureaux and country offices; providing regional bureaux and country offices with a list of vetted local contractors who could provide IT support; minimizing – or preferably eliminating – country offices' use of their own tailored IT solutions; managing expectations with regard to artificial intelligence; and ensuring data quality before introducing automation.

Country office support model optimization and simplification project

39. During the reporting period, the IOAC received updates on the country office support model optimization and simplification (COSMOS) pilot project, including a final report on the results of an independent evaluation of the project, which it considered at its March meeting. Noting that increased standardization was needed, the committee looked forward to seeing how the COSMOS project would feed into the organizational restructuring, including through its interactions with the BOOST project.

Use of shared services

40. At its March meeting, the IOAC was briefed on WFP's use of the Global Payments Solutions Centre in Budapest, WFP's provision of information and communications technology solutions for humanitarian partners, and the internal and external efficiency gains from WFP's provision of shared services for booking, transport and engineering.
41. The IOAC welcomed WFP's use of the global payments centre but expressed concern regarding the lack of an overall corporate strategy for shared services and funding model.
42. Observing the lack of a coherent approach, the IOAC recommended that management examine the cost structure of WFP and develop a corporate strategy for shared services based on a model that would identify opportunities, provide better service and reduce costs.

Ethics

43. The IOAC met with the newly appointed Director of Ethics at its July session to review the tentative workplan, staffing and budget of the Ethics Office for 2024. At subsequent meetings, the Director provided updates on the work of her office, including the provision of training, advice and guidance to WFP divisions and offices; preparation for the Executive Director's role as the Inter-Agency Standing Committee's PSEA champion; and whistleblower protection. The IOAC took note of significant progress in the work of the Ethics Office over the reporting period.
44. Among the IOAC's observations on ethics matters were comments emphasizing the importance of maintaining an up-to-date whistleblower policy incorporating the latest best practices and the views of the Ethics Panel of the United Nations and of providing ethics advice to senior managers attending meetings when there was the potential for reputational risk. The committee also recommended that the Ethics Director consider accepting simple statements of the absence of any conflicts of interest as a way of reducing the costs of implementing the disclosure programme and enhance the visibility of non-PSEA issues in the strategy of the Ethics Office.

Workforce planning and the new organizational structure

45. The IOAC received regular updates on the status of strategic workforce planning at WFP and progress in integrating annual reviews of workforce planning at the global, function and country office levels into other processes such as budget planning. At its July meeting, the committee received an update on the status of senior staff vacancies, which they have included as a regular item on the agenda of subsequent meetings.
46. Recognizing the progress made in the area of workforce planning, the IOAC welcomed the appointment of well-qualified staff to long-vacant senior management positions and suggested that regular strategic workforce planning exercises be made mandatory for all WFP functions.
47. At its March meeting, the IOAC reviewed WFP's new organizational structure and found it to be balanced and logical for the size of WFP, although some roles appeared rather broad. The committee also received a briefing on management's plans for downsizing staff contingents across WFP as part of the reorganization and in response to the reduced income forecasts for 2024 and beyond. Among the comments made, the IOAC urged management to manage the downsizing exercise carefully and to continue to implement it as quickly as possible so as to reduce the impact on staff morale. They cautioned that later phases of the exercise would be more challenging if non-voluntary staff separations were required.
48. In many of their discussions with management throughout the March meeting, the IOAC emphasized the importance of assessing the effects of the downsizing on WFP functions

and communicating those effects to donors and the Board so as to inform their decision making.

Cooperating partner management

49. Following up on the findings of an external audit of WFP's management of cooperating partners and a JIU report on a similar topic, the IOAC received regular updates on various aspects of WFP's engagement with its cooperating partners.
50. During the reporting period, the IOAC urged management to complete the implementation of recommendations from the two reports and recommended that cooperating partner capacity strengthening be categorized as a programme initiative and included in project and programme costs rather than programme support costs. Observing the inherent contradiction between the value placed on the "localization" agenda and difficulties in attracting funding for cooperating partner capacity strengthening, the IOAC suggested that WFP encourage donors to increase their contributions by communicating more clearly the risks involved in working with cooperating partners and the need to ensure that they shared WFP's values and applied its standards.
51. Noting that WFP had a framework in place for the management of non-governmental cooperating partners, the IOAC emphasized the need to direct greater attention to the management of and oversight on government cooperating partners. In that regard, they welcomed the appointment of a staff member to lead work on WFP's provision of direct assistance to government partners and the development of guidance for country offices delivering assistance through government entities.

IOAC visit to the Country Office for Bangladesh

52. The IOAC held its 164th meeting at the Country Office for Bangladesh between 11 and 15 September 2023. The committee met with WFP staff at the country office and in the Regional Bureau for Asia and the Pacific, representatives of the Government of Bangladesh, WFP beneficiaries and the United Nations Resident Coordinator, in addition to visiting WFP operations in Dhaka and Cox's Bazar. The IOAC highly appreciated the opportunity to see WFP activities first-hand and gain insight into the severity of the food security challenges facing the region. Highlights of the trip included the following:
 - Cash-based transfers: The IOAC felt that headquarters units might not fully appreciate the needs and challenges that country offices faced in the area of cash-based transfer operations and the IT systems and strategies for delivering them.
 - IT systems: Given the continued issues with IT systems, the IOAC suggested that WFP conduct a prioritization exercise to identify the most critical issues to be addressed.
 - Prioritization of assistance: The IOAC emphasized the need to provide strong support to country offices making decisions on the reduction of assistance to beneficiaries and to clarify the roles of country offices and regional bureaux in such decisions. The committee also advised the country office to continue to seek opportunities for cutting costs.
 - Risk management: The IOAC appreciated that a risk officer is currently being recruited by the regional bureau and will be expected to dedicate half of his/her time to monitoring and advising on risks at the Bangladesh country office.
53. The IOAC praised the quality of the risk and oversight approach presented by the deputy regional director, including the focus on addressing shadow IT systems in areas such as cooperating partner management and beneficiary identity management.

ANNEX I

Terms of reference of the IOAC

1. The IOAC's terms of reference were adopted by the Board at its 2011 second regular session and were subject to revision in 2017, 2018 and 2021. The [IOAC web page](#) provides access to the [full terms of reference](#) and the [IOAC Rules of Procedure](#).
2. For the year ending 31 December 2023, the IOAC's responsibilities included advising the Board and the Executive Director on:
 - internal audit;
 - risk management and internal controls;
 - financial statements;
 - accounting;
 - external audit;
 - values and ethics;
 - evaluations; and
 - allegations of inappropriate activity.

Composition of the IOAC

3. The composition of the IOAC reflects gender and regional balance as determined by the Board. The members of the committee from April 2023 to March 2024 and their attendance at formal IOAC meetings is detailed below.

IOAC MEMBERSHIP AND SCHEDULE OF ATTENDANCE FOR 2023/2024

Member	Meetings held in 2023/2024				Term
	July 2023	September 2023	December 2023	March 2024	
Mr Robert Samels (Canada) Chairperson	Present	Present	Present	Present	From 1 March 2019 to 28 February 2022; subsequently extended to 28 February 2025
Ms Agnieszka Słomka-Gołębiowska (Poland) Until July 2023	Present	-	-	-	From 30 July 2017 to 29 July 2020; subsequently extended to 29 July 2023
Mr Veerathai Santiprabhob (Thailand)	Present	Present	Present	Present	From 15 November 2021 to 14 November 2024
Mr Darshak Shah (Kenya)	Present	Present	Present	Present	From 15 November 2021 to 14 November 2024
Ms Bettina Tucci Bartsiotas (Uruguay)	Present	Present	Present	Present	From 15 November 2022 to 14 November 2025
Ms Margaret Dezse (Hungary)	-	Present	Present	Present	From 30 July 2023 to 29 July 2026

Acronyms

COSMOS	country office support model optimization and simplification
IOAC	Independent Oversight Advisory Committee
IPSAS	International Public Sector Accounting Standards
IT	information technology
JIU	Joint Inspection Unit
OEV	Office of Evaluation
OIG	Office of the Inspector General and Mediation Services
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PSEA	prevention of sexual exploitation and abuse
RMD	Risk Management Division