

WFP's Hosting Arrangements for the REACH Secretariat

Office of the Inspector General
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World Food Programme

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Internal Audit of WFP's hosting arrangements for the REACH Secretariat

I. Executive Summary






Introduction

1. As part of its annual work plan for 2012, the Office of Internal Audit conducted an audit of WFP's hosting arrangements for the REACH Secretariat. The Renewed Efforts to address Child Hunger and under-nutrition (REACH) project was established in 2008 by the Food and Agriculture Organisation, the United Nations Children's Fund, the World Food Programme, and the World Health Organization to assist governments of countries with a high burden of child and maternal under-nutrition in meeting the urgent need for food and nutrition. In line with the understanding of the four initiating partners, on 16 May 2008, WFP's Executive Policy Council confirmed that WFP would host the REACH Secretariat, which is an inter-agency team to assist the country-based REACH actors through synergies and coherence.
2. The audit covered the hosting of the REACH Secretariat from 1 November 2011 to 31 October 2012 and was carried out in WFP's headquarters.
3. The audit was carried out in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Audit Conclusions

4. The Office of Internal audit has come to an overall conclusion of **satisfactory**¹. Conclusions by internal control components are summarized in Table 1:

Table 1: Summary of conclusions by Internal Control Components

Internal Control Component	Conclusion	
1. Internal environment	Medium	
2. Risk assessment	Medium	
3. Control activities	Medium	
4. Information and communication	Low	
5. Monitoring	Medium	

Key Audit Results

Positive practices and initiatives

5. A number of positive practices and initiatives were noted. A review of the secretariat's organisational structure for 2013 had been carried out, as well as a global REACH session in 2012;

¹ See Annex A for definitions of audit terms.

there was effective inter-agency coordination at country and headquarters levels; risk management was embedded into implementation plans for each country; and there were proactive and early fundraising, regular meetings of the Steering Committee and between coordinators and facilitators, discussions including feedback learning loops, and a comprehensive monitoring and evaluation framework and guidelines.

Audit recommendations

6. No high-risk observations arose from this audit. The audit report contains eight medium-risk recommendations.

7. Although REACH was established in 2008, a Memorandum of Understanding including the operations of the Secretariat was signed in December 2011. The REACH Secretariat worked for over three years without a clearly agreed administrative operating framework, generally adopting WFP's administrative framework. Now that the Memorandum of Understanding is in place, there is a clear opportunity for clarifying and better documenting the Secretariat's guidelines and standard operating procedures.

Management response

8. Management accepted all the recommendations and reported that it is in the process of implementing them.

9. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

David Johnson
Inspector General



II. Context and Scope

REACH

10. The Renewed Efforts to Address Child Hunger and under-nutrition (REACH) project was established in 2008 by the Food and Agriculture Organization (FAO), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP), and the World Health Organization (WHO) (referred to as the Initiating Partners) to assist governments of countries with a high burden of child and maternal under-nutrition in meeting the urgent need for food and nutrition. The International Fund for Agricultural Development (IFAD) joined REACH later on with an advisory role.

11. REACH's objective was to strengthen UN efforts towards ending poverty and hunger by 2015, the first of the eight UN Millennium Development Goals. However, its work is now expected to continue beyond 2015 because hunger will remain a pressing problem, and nutrition issues are to be given an even stronger emphasis after 2015. REACH is a partner of the UN Standing Committee on Nutrition, the United Nations global normative platform for harmonization of food and nutrition policies. More details can be found at <http://www.reachpartnership.org>.

12. The four initiating partners of REACH signed a Memorandum of Understanding in December 2011, outlining the goals, structure, governance, membership, representation, and the functions of the REACH Steering Committee, and reiterating REACH as a country-driven strategy, with objectives and initiatives to suit the circumstances of individual countries.

The REACH Secretariat

13. In line with the understanding of the four initiating partners, on 16 May 2008, WFP's Executive Policy Council confirmed that WFP will host the REACH inter-agency team in accordance with WFP rules and regulations. The 2011 Memorandum of Understanding confirmed this, and noted that the partners may decide in future that a partner other than WFP would host the Secretariat.

14. The functions of the secretariat, outlined in the Memorandum of Understanding, emphasise the provision of technical and administrative support in the achievement of REACH objectives, knowledge management and resource mobilisation.

15. The secretariat supports REACH operations in 12 countries (Bangladesh, Ethiopia, Ghana, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sierra Leone, Tanzania and Uganda) and provides indirect support to REACH activities in Laos.

Objective and scope of the audit

16. The objective of the audit was to evaluate and test the adequacy and effectiveness of the risk management, control and governance processes in the REACH Secretariat, as part of the process of providing an annual and overall assurance statement on WFP's risk management, control and governance processes.

17. The audit was carried out in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. It was completed according to an

approved planning memorandum and took into consideration the risk-assessment exercise carried out before the audit.

18. The audit scope covered the activities of the REACH Secretariat for the period from 1 November 2011 to 31 October 2012. Where necessary, transactions and events pertaining to other periods were reviewed. The audit, which took place from 10 to 28 December 2012, included audit work in headquarters.

III. Audit results

19. In performing our audit, we noted the following positive practices and initiatives:

Table 2: Positive practices and initiatives

1. Internal environment

- The organisational structure had been reviewed for 2013 and aligned with its activities.
- A global REACH session had been held in 2012.

2. Risk assessment

- Country Implementation Plans had a section for the identification of the risks to the achievement of the plans' objectives as well as strategies to mitigate them.

3. Control activities

- There was proactive fundraising for activities.
- Three month budgets were prepared, beginning in late 2012, which facilitated jump-starting activities and budget management.

4. Information and communication

- Regular Steering Committee meetings and coordinator global teleconferences took place.
- There were regular teleconferences where facilitators shared learning.
- There was effective interagency coordination at headquarters and country levels.

5. Monitoring

- A comprehensive monitoring and evaluation framework and guidelines was in place.
-

20. Having evaluated and tested the controls in place, the Office of Internal Audit has come to the following conclusions on the residual risk related to the processes:

Table 3: Conclusions on risk by internal control component and business process

Internal Control Component/ Business Process	Risk
1. Internal environment	
Corporate organizational and reporting structure	Medium
Delegated authority	Medium
Strategic Planning and performance accountability	Medium
2. Risk assessment	
Enterprise risk management	Medium
3. Control activities	
Finance and accounting	Medium
Programme management	Medium
Human resources	Medium
4. Information and communication	
External relations and partnerships	Low
Internal communications and feedback	Low
5. Monitoring	
Programme monitoring and evaluation	Medium

21. Based on the results of the audit, the Office of Internal audit has come to an overall conclusion of **satisfactory**².

22. No high-risk recommendations arose from this audit. Eight medium-risk recommendations were made, presented in table 4 below.

Management response

23. Management agreed with all recommendations and reported that implementation was in progress.

² See Annex A for definitions of audit terms.

Table 4: Medium risk recommendations

Observation	Recommendation	Risk categories ³	Underlying cause category	Owner	Due date
Internal Environment					
1 Corporate organisational and reporting structure: Staff terms of reference and reporting lines – At the beginning of the project, there was little funding, so a full structure of staff could not be put in place immediately. Staff were added to fill the plan when funding allowed.	Consult with the Steering Committee to put in place agreed terms of reference for all staff, with clear reporting lines.	Operational Operational efficiency Institutional	Guidelines	REACH Secretariat	31 December 2013
2 Strategic planning and performance accountability: Operating guidelines, work plans and budgets – Prior to formalisation of the Memorandum of Understanding in 2011, REACH did not have clearly defined responsibilities for preparation of guidelines, work plans, budgets and progress reports. The Memorandum of Understanding requires the REACH Secretariat to provide technical and administrative support to REACH's governance and administration.	Provide the support for operating guidelines, work plans and budgets required by the governance provisions in the Memorandum of Understanding.	Compliance Operational efficiency Institutional	Compliance	REACH Secretariat	Implemented
Risk Assessment					
3 Enterprise risk management: Risk identification and mitigation – Risk management has not been formally embedded in the REACH Secretariat's work plan.	Regularly compile and consider country-specific REACH risks, and put in place a system for alerting to the Steering Committee and considering potential risks to WFP.	Strategic Stewardship Institutional	Guidelines	REACH Secretariat	30 November 2013

³ See Annex A for definition of audit terms.

Observation	Recommendation	Risk categories ³	Underlying cause category	Owner	Due date
Control Activities					
4 Finance and accounting: Budget formulation, allocation and cost analysis – The 2012 budget was not linked to implementation plans for individual countries, and the approved budget was not regularly monitored.	Adopt a performance-oriented and activity-based budgeting approach, regularly perform budget analyses, and align budget and costs with operational priorities.	Reporting Internal business processes Institutional	Guidelines	REACH Secretariat	Implemented
5 Finance and accounting: Financial reports and interest income – Expenditure was not analysed or reported to the Steering Committee prior to 2012.	Institute a process of regular financial reconciliation and reporting, and comply with the Memorandum of Understanding requirement to report to the Steering Committee within three months of each year end.	Reporting Internal business processes Institutional	Compliance	REACH Secretariat	Implemented
6 Human resources: Recruitment process and performance evaluation – The Memorandum of Understanding requires adherence to WFP rules and regulations for recruitment, which may not always be appropriate in some aspects, such as its language requirement. The Memorandum of Understanding requires WFP rules to be followed for performance evaluation, which proved challenging for the identification of second level performance reviewers, and when consultants were hosted by other agencies.	Review the alignment of key WFP HR requirements to the REACH hosting operations and discuss any apparent inconsistencies with the Human Resources Management Division.	Compliance Internal business processes Institutional	Guidelines	REACH Secretariat	31 December 2013
Monitoring					
7 Programme monitoring and evaluation: Criteria for evaluating the hosting arrangement – The Memorandum of Understanding required that an evaluation of the hosting arrangements be carried out in June 2014, but criteria for it had not been put in place. Management informed that the evaluation is planned for 2015.	Clarify the evaluation criteria and key performance indicators for the hosting arrangement.	Operational Operational efficiency Institutional	Compliance	REACH Secretariat	Implemented

Observation	Recommendation	Risk categories ³	Underlying cause category	Owner	Due date
8 Programme monitoring and evaluation: Monitoring and evaluation indicators, reporting and information retention and use – There was a comprehensive monitoring and evaluation framework in place including regular reporting, but the relevance of key performance indicators needed reviewing in order better to structure use of monitoring results.	Review the relevance of indicators and the results of the information gathering and reporting mechanisms, and adapt them as needed, to maintain alignment with the work plan and the life cycle stages of the individual country projects.	Reporting Operational efficiency Institutional	Guidelines	REACH Secretariat	Implemented

Annex A – Audit definitions

1. Risk categories

A 1. The Office of Internal Audit evaluates WFP’s internal controls, governance and risk management processes, in order to reach an annual and overall assurance on these processes in the following categories:

Table A.1:
Categories of risk – based on COSO⁴ frameworks and the Standards of the Institute of Internal Auditors

1	Strategic:	Achievement of the organization’s strategic objectives.
2	Operational:	Effectiveness and efficiency of operations and programs including safeguarding of assets.
3	Compliance:	Compliance with laws, regulations, policies, procedures, and contracts.
4	Reporting:	Reliability and integrity of financial and operational information.

A 2. In order to facilitate linkages with WFP’s performance and risk management frameworks, the Office maps assurance to the following two frameworks:

Table A.2.1:
Categories of risk – WFP’s Management Results Dimensions

1	Securing resources:	Efficiency and effectiveness in acquiring the resources necessary to discharge WFP’s strategy – this includes money, food, non-food items, people and partners.
2	Stewardship:	Management of the resources acquired – this includes minimising resource losses, ensuring the safety and wellbeing of employees, facilities management, and the management of WFP’s brand and reputation.
3	Learning and innovation:	Building a culture of learning and innovation to underpin WFP’s other activities – this includes knowledge management, staff development and research capabilities.
4	Internal business processes:	Efficiency of provision and delivery of the support services necessary for the continuity of WFP’s operations – this includes procurement, accounting, information sharing both internally and externally, IT support and travel management.
5	Operational efficiency:	Efficiency of WFP’s beneficiary-facing programmes and projects delivery – this includes project design (partnership/stakeholder involvement and situation analysis) and project implementation (fund management, monitoring and reporting, transport delivery, distribution, pipeline management).

⁴ Committee of Sponsoring Organizations of the Treadway Commission.

Table A.2.2: Categories of risk – WFP’s Risk Management Framework

1	Contextual:	External to WFP: political, economic, environmental, state failure, conflict, humanitarian crisis.
2	Programmatic:	Failure to meet programme objectives and/or potential harm caused to others through interventions.
3	Institutional:	Internal to WFP: fiduciary failure, reputational loss, financial loss through corruption.

2. Causes or sources of audit observations

A 3. The observations were categorized into the following causes or sources:

Table A.3: Categories of causes or sources

1	Compliance	Requirement to comply with prescribed WFP regulations, rules and procedures.
2	Guidelines	Need for improvement in written policies, procedures or tools to guide staff in the performance of their functions.
3	Guidance	Need for better supervision and management oversight.
4	Resources	Need for more resources (funds, skills, staff etc.) to carry out an activity or function.
5	Human error	Mistakes committed by staff entrusted to perform assigned functions.
6	Best practice	Opportunity to improve in order to reach recognised best practice.

3. Risk categorisation of audit observations

A 4. The audit observations were categorised by impact or importance (high-, medium- or low-risk) as shown in table A.4 below. Audit observations typically can be viewed on two levels. (1) Observations specific to an office, unit or division and (2) observations which may relate to a broader policy, process or corporate decision and may have broad impact.⁵

Table A.4: Categorization of observations by impact or importance

High-risk	Issues or areas arising referring to important matters that are material to the system of internal control. The matters observed might cause a corporate objective not to be achieved, or leave unmitigated risk which would have a high impact on the corporate objectives.
Medium-risk	Issues or areas arising referring to issues that have an important effect on the controls but may not require immediate action. The matters observed may cause a business objective not to be achieved, or leave unmitigated risk which would have an impact on the business unit objectives.
Low-risk	Issues or areas arising that would, if corrected, improve internal controls in general. The recommendations made are of best practices as opposed to weaknesses that prevent systems and business objectives being met.

A 5. Low risk recommendations, if any, are communicated by the audit team directly with management, and are not included in this report.

4. Recommendation tracking

A 6. All medium- and high-risk recommendations are tracked by the Office of Internal Audit. Implementation of recommendations will be verified through the Office of Internal Audit’s system for monitoring implementation of audit recommendations. This monitoring system exists to ensure that management actions have been effectively implemented within the agreed timeframe, in order to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP’s operations.

⁵ An audit observation of high risk to the audited entity may be of low risk for WFP as a whole, conversely, an observation of critical importance for WFP may have low impact for a specific entity, but globally be of high impact.

5. Rating system

A 7. Internal control components and processes are rated according to the severity of the risk to them. These ratings are part of the system of evaluating the adequacy of WFP's risk management, control and governance processes. A rating of satisfactory, partially satisfactory, or unsatisfactory is reported in each audit, and these categories are defined as follows:

Table A.5: Rating system

Engagement rating	Definition	Assurance level
Satisfactory	Internal controls, governance and risk management practices are adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.	Reasonable assurance can be provided
Partially Satisfactory	Internal controls, governance and risk management practices are generally established and functioning, but need improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.	Reasonable assurance is at risk.
Unsatisfactory	Internal controls, governance and risk management practices are either not established or not functioning well. The issues identified were such that the achievement of the overall objectives of the audited entity could be seriously compromised.	Reasonable assurance cannot be provided.

Annex B – Acronyms

FAO	Food and Agriculture Organization
IFAD	International Fund for Agricultural Development
REACH	Renewed Efforts to Address Child Hunger and under-nutrition
UN	United Nations
UNICEF	United Nations Children’s Fund
WFP	World Food Programme
WHO	World Health Organization