

Internal Audit of WFP Operations in the Republic of South Sudan

Office of the Inspector General
Internal Audit Report AR/14/04



World Food Programme

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Internal Audit of WFP Operations in the Republic of South Sudan

I. Executive Summary






Introduction

1. As part of its annual work plan for 2013, the Office of Internal Audit conducted an audit of World Food Programme (WFP) operations in the Republic of South Sudan.
2. WFP's Direct Expenses in South Sudan in 2012 totalled US\$274 million¹, representing seven percent of WFP's total Direct Expenses for the year. The audit covered activities from 1 January 2012 to 31 December 2012 and included field visits to various locations in South Sudan.
3. The audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Audit Conclusions

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**². 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	Medium	
5. Monitoring	High	

Key Results of the Audit

Positive practices and initiatives

5. A number of positive practices and initiatives were noted. The Office's main achievement was a successful transition from sub-office to full Country Office.

Audit recommendations

6. The audit report contains one high-risk and ten medium-risk recommendations addressed to the Country Office's management.
7. The high-risk observation arising from the audit was as follows:

¹ WFP/EB.A/2013/4.Rev.1 – Annual Performance Report for 2012 – Annex IX – B.

² See Annex A for definitions of audit terms.

8. **Monitoring of programme activities:** M&E coverage for 2012 was low and most sub-offices were unable to input their own M&E data directly into the systems. The Country Office needs to strengthen its programme-monitoring process, including minimum coverage objectives and oversight of stocks delivered to implementing partners ahead of the rainy seasons, when WFP is unable to access some areas of the country for more than six months.

9. The audit also identified some control issues relating to corporate processes. High and medium risk recommendations with regard to these corporate processes which are addressed to management outside the Country Office have been included in a separate report.

Management Response

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

11. 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

Republic of South Sudan

12. The Republic of South Sudan, formerly part of Sudan, became an independent state on 9 July 2011.

13. According to the World Bank's latest data³, the country has an estimated population of 10 million people and GDP per capita in 2010 was equivalent to US\$1,505. However, as a result of the suspension of oil production in January 2012, this figure is expected to fall to US\$785.

14. The country is land-locked and internal transport is particularly difficult because there is poor transport infrastructure and most roads are inaccessible during the rainy season.

WFP Operations in the Republic of South Sudan

15. WFP South Sudan was the country with the second-largest planned operation for WFP in 2013, after Ethiopia.

16. For most of 2012, the Country Office was under a Level 3 Corporate Emergency⁴, which was formally declared on 8 February 2012. It was de-activated on 14 December 2012, when the emergency was downgraded to a Level 2 Regional Emergency⁵.

17. In addition to food and, more recently, cash and voucher distributions to food-insecure people, the Country Office was also heavily involved in the support of UN and non-UN humanitarian operations through the management of UNHAS flights, the leadership of three emergency clusters (logistics, telecommunications and food security and livelihood), and the improvement of local infrastructure (roads and grain reserves).

18. The projects implemented during the period under review were:

- An Emergency Operation (200338) to assist the food-insecure and conflict-affected populations in South Sudan which started in January 2012 and at the time of the audit had a budget of US\$ 706 million.
- A Special Operation (200267) to support the efforts to establish a national strategic grain reserve, mainly through the construction of new storage facilities. This project started in July 2011 and will close in July 2014. The approved budget at the time of the audit was US\$ 97 million.
- A Special Operation (200379) to improve the local road network through the construction and rehabilitation of feeder roads. This project started in March 2011 and will close in December 2013. The approved budget at the time of the audit was US\$ 81 million.
- A Special Operation (200341) to provide internal flights to the humanitarian community through UNHAS. This project started in September 2011 and at the time of the audit had an approved budget of US \$59 million.
- A Special Operation (200399), worth US\$ 3 million, for the provision of ICT services to the humanitarian community through the Emergency Telecommunications Cluster.

³ <http://www.worldbank.org/en/country/southsudan/overview>.

⁴ As per WFP's definition, a Corporate Emergency is "an Emergency Response operation requiring mobilization of WFP global response capabilities in support of the relevant Country Offices or Regional Bureaux".

⁵ As per WFP's definition, a Regional Emergency is "an Emergency Response operation requiring regional augmentation of country-level response capability".

- A Special Operation (200361), worth US\$ 25 million, for the provision of logistics services to the humanitarian community through the Logistics Cluster⁶.
- A Special Operation (200423), worth US\$ 1 million, for the augmentation of the Food Security Cluster.

19. WFP's Direct Expenses in South Sudan in 2012 totalled US\$ 274 million⁷, representing seven percent of WFP's total Direct Expenses for the year.

Objective and Scope of the Audit

20. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with internal control components of WFP's operations in the Republic of South Sudan, as part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes.

21. The audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. It was completed according to the approved planning memorandum and took into consideration the risk assessment exercise carried out prior to the audit.

22. The audit scope covered WFP's operations in the Republic of South Sudan for the period from 1 January 2012 to 30 December 2012. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork, which took place from 18 February 2013 to 14 March 2013, included visits to various locations in South Sudan.

⁶ As per UN terminology, clusters are groups of humanitarian organizations (UN and non-UN) working in the main sectors of humanitarian action, e.g. shelter and health. They are created when clear humanitarian needs exist within a sector, when there are numerous actors within it and when national authorities need coordination support.

⁷ WFP/EB.A/2013/4.Rev.1 – Annual Performance Report for 2012 – Annex IX – B.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

1. Internal environment

- The Office successfully made the transition from a sub-office to a Country Office.
 - The Country Strategy 2014-2017 was being finalized at the time of the audit.
-

2. Control activities

- In 2013, the logistics team made significant improvements in addressing some of the challenges faced in 2012 during the pre-positioning exercise, including providing greater consultation and coordination with sub-offices and other units.
 - The Country Office held an annual review and planning workshop with cooperating partners to discuss common concerns and interests in preparation of the new project cycle.
 - The Logistics cluster piloted an innovative software solution for logistics data management (Relief Item Tracking Application - RITA), to improve the quality of cargo monitoring and reporting, which had previously been tracked using Microsoft Excel.
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3. Monitoring

- In 2013, the Country Office prepared comprehensive checklists to harmonise and strengthen the programme-related M&E activities performed by the sub-offices.
-

24. 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 – both in the Country Office and at the corporate level (where applicable) – as follows:

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

Internal Control Component/ Business Process	Risk (Country Office)
1. Internal environment	
Corporate Organization and reporting structure	Medium
Delegated authority	Medium
IS/IT Plan and organize	Medium
2. Risk assessment	
Enterprise Risk Management	Medium
3. Control activities	
Finance and accounting	Low
Programme management	Medium
Transport and logistics	Medium
Commodity management	Medium
Procurement	Medium
Property and equipment	Medium
Administration and travel	Medium
Security	Medium
Mobilise resources	Medium
IS/IT Deliver and Support	Medium
4. Information and communication	
External Relations and Partnerships	Low
5. Monitoring	
Programme Monitoring	High

25. Based on the results of the audit, the Office of Internal audit has come to an overall conclusion of **partially satisfactory**⁸.

26. One high-risk recommendation was made, and is detailed in Section IV of this report, and ten medium-risk recommendations. Tables 4 and 5 present the high and medium-risk recommendations respectively.

27. The audit also identified some control issued relating to corporate processes. High and medium-risk recommendations which relate to those processes and are addressed to management outside the Country Office have been included in a separate report.

Management response

Management has agreed with all recommendations and reported that it is in the process of implementing them⁹.

⁸ See Annex A for definitions of audit terms.

⁹ Implementation of the recommendations will be verified through the office of Internal Audit's (OIGA) standard system for monitoring the implementation of audit recommendations.

Table 4: Summary of high-risk recommendations (see section IV for detailed assessment)

Observation	Recommendation	Risk categories ¹⁰	Underlying cause category	Owner	Due date
Internal Environment					
Monitoring					
1 Programme Monitoring: Low coverage rates - M&E coverage for 2012 was low and at the time of the audit only three sub-offices had recorded any data in the M&E database. There was no formal methodology for the selection of monitoring sites and target coverage and no specific procedures to address the risks stemming from storing large amounts of commodities with cooperating partners during the rainy season.	Strengthen the M&E process, including oversight of prepositioned commodities during the rainy season.	Operational Internal Business Processes Programmatic	Resources	South Sudan Country Office	30 June 2014

¹⁰ See Annex A for definition of audit terms.

Table 5: Medium-risk recommendations

Observation	Recommendation	Risk categories ¹¹	Underlying cause category	Owner	Due date
Internal Environment					
2	IS/IT Deliver & Support: Emergency preparedness - The Country Office did not have a business or a continuity and disaster recovery plan, which, in case of an emergency, could seriously impact on the ability of WFP to keep operations running.	Operational Operational efficiency Programmatic	Compliance	South Sudan Country Office	30 June 2014
Risk Assessment					
3	Enterprise risk management: Completeness of risk register - The Country Office risk register did not include, amongst other things, risks and mitigating actions relating to: large construction projects, seasonal stock prepositioning and ICT-related risks.	Operational Internal business processes Institutional	Human Error	South Sudan Country Office	Implemented

¹¹ See Annex A for definition of audit terms.

Observation	Recommendation	Risk categories ¹¹	Underlying cause category	Owner	Due date	
Control Activities						
4	Programme Management: Reconciliations between financial and non-financial passenger data - Passenger records as recorded by the crew prior to take off were not being reconciled with passenger records as per the list of tickets issued and cash received. This increases the risk of potential frauds being undetected in a timely manner. Some passengers using the flights were found not to belong to the humanitarian community.	Review and strengthen current internal control procedures for passengers and recording and reconciliation of revenue.	Compliance Internal business processes Institutional	Compliance	South Sudan Country Office	Implemented
5	Programme management: Consistency of distribution data - For a sample of transactions, listings of quantities of distributed food in distribution reports from donors were different from those in the inventory system. Weaknesses were observed in planning and monitoring of distributions in the school visited and in the reconciliations performed on the list of beneficiaries at two distribution centres.	Strengthen the reconciliation process for distribution data and general monitoring of distributions.	Operational Internal business processes Programmatic	Compliance	South Sudan Country Office	30 June 2014
6	Programme management: Legal responsibilities of construction contractors - There were weaknesses in some of the contract clauses regarding the responsibility and accountability of the construction companies working on the South Sudan feeder-road construction project, including, among other things, clauses covering the training of workers and maintenance of the roads. There were errors in the initial time and cost estimates of the work, some of which could have been better planned for. There were also weaknesses in the recording and review of invoices received from the contractors.	Strengthen the controls in place regarding the entire construction process and align them with construction best practice.	Operational Stewardship Institutional	Guidelines	South Sudan Country Office	Implemented

Observation	Recommendation	Risk categories ¹¹	Underlying cause category	Owner	Due date
7 Commodity Management: Consistency of inventory data - During two warehouse visits OIGA observed differences in stock between COMPAS data and stacking cards and delays in recording of stock movements in COMPAS; monthly stock counts were not always performed or were performed without proper segregation of duties and reconciliations. All these factors increase the risk of inaccurate stock figures and of stock losses going un-detected. Some of these weaknesses were the result of connectivity issues and staffing shortages.	Improve staff capacity for warehouse management and commodity accounting and strengthen monitoring controls.	Operational Stewardship Institutional	Compliance	South Sudan Country Office	Implemented
8 Property and equipment: Completeness of asset register - Assets belonging to the Logistics cluster were not recorded in the Country Office's asset register. There were differences between the data in the asset register and asset purchases recorded in WINGS; this was partly a result of the transfer of assets (including vehicles) from Sudan to South Sudan. Disposal decisions were not documented comprehensively.	Perform a full asset reconciliation (physical with asset register and with WINGS) and improve the timeliness and transparency of disposal decisions.	Operational Internal business processes Institutional	Compliance	South Sudan Country Office	31 May 2014
9 Security: Compliance with minimum security standards - As at January 2013, three out of ten sub-offices did not meet the minimum UN security requirements. Other instances of non-compliance included, amongst other things, availability and fitting of vehicles, security of warehouses and minimum communication equipment for staff in remote locations.	Implement a plan to ensure compliance with minimum UN security requirements.	Compliance Stewardship Institutional	Compliance	South Sudan Country Office	30 June 2014
10 Mobilize resources: Receivables from previous government - In 2010, the Country Office (when South Sudan was still part of Sudan) received a significant pledge from the government of Sudan. This contribution was still outstanding at the time of the audit.	Continue to seek confirmation of the pledge from the South Sudanese government. If within a reasonable period of time confirmation cannot be obtained, write-off the receivable.	Operational Securing resources Institutional	Compliance	South Sudan Country Office	31 March 2014

Observation	Recommendation	Risk categories ¹¹	Underlying cause category	Owner	Due date
<p>11 IS/IT Deliver & Support: Alignment of ICT resources and ICT needs - The Country Office was experiencing difficulties with connectivity and downtime of assets, due to a lack of ICT staff and difficulties with the importation of equipment. Moreover, the Office did not have proper data back-up procedure and anti-viruses in place and was involved in the development of local applications to support various business processes such as C&V, telephone billing, etc. At the time of the audit, there were only two ICT staff in the sub-offices.</p>	<p>Prepare a formal plan to review all ICT risks and prepare an action plan to address them.</p>	<p>Operational Operational efficiency Institutional</p>	<p>Resources</p>	<p>South Sudan Country Office</p>	<p>31 March 2014</p>

IV. Detailed Assessment

Monitoring

High Risk

Observation 1 Monitoring and Evaluation of programme activities

28. M&E coverage for South Sudan in 2012 was low, because the Country Office had decided to prioritize the strengthening of its M&E tools and the training of its field monitors, to ensure proper M&E coverage and data quality for 2013.

29. In 2012, in Upper Nile State - one of the states with the largest number of beneficiaries - WFP visited only five of the thirteen counties, which accounted for just over 60% of the overall number of beneficiaries in the State.

30. Data recording in the M&E database was also found to be weak: at the time of the audit, only three sub-offices had recorded data in the system. This was partly because only two of ten sub-offices had direct access to the M&E database.

31. For operations in the Republic of South Sudan, a formal strategy for M&E is particularly important because some areas are inaccessible to WFP staff for almost seven months, with the rainy season disrupting land transport routes. As a result, around 60% of total annual food commodities need to be prepositioned with implementing partners by the beginning of May each year.

32. Moreover, availability of flights to remote locations is not always guaranteed through UNHAS, because it depends on a number of factors, including the weather, security, the quality of the airstrip and the availability of funds.

Recommendation 1

Underlying cause of observation:	Lack of a standard corporate M&E recording system. Staffing vacancies, together with significant project implementation challenges as a result of the emergency. Additional challenges faced by the Country Office include: connectivity problems and lack of cars to enable field monitors to visit sites.
Implication:	Risk of WFP lacking proper evidence to confirm distribution figures received from cooperating partners.
Policies, procedures and requirements:	Best practice accountability.

Recommendation: Strengthen current M&E process, including oversight of prepositioned stock.

Agreed management actions: Agreed. A comprehensive system is being put in place which also reflects adequate staff at each Sub Office specifically to undertake M&E activities”.

Target implementation date: 30 June 2014.

Annex A – Audit Definitions

1. WFP’s Internal Control Framework (ICF)

A 1. WFP’s Internal Control Assurance Framework follows principles from the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO)¹² Integrated Internal Control Framework, adapted to meet WFP’s operational environment and structure. The Framework was formally defined in 2011.

A 2. WFP has defined internal control as a process designed to provide reasonable assurance regarding the achievement of objectives relating to (a) effectiveness and efficiency of operations; (b) reliability of reporting; and (c) compliance with WFP rules and regulations. WFP recognizes five interrelated components (ICF components) of internal control which need to be in place and integrated for it to be effective across the above three areas of internal control objectives. The five ICF components are (i) Internal Environment, (ii) Risk Management, (iii) Control Activities, (iv) Information and Communication, and (v) Monitoring.

2. Risk categories

A 3. 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 COSO 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 programmes 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 4. In order to facilitate linkages with WFP’s performance and risk management frameworks, the Office of Internal Audit 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).

¹² 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.

3. Causes or sources of audit observations

A 5. The observations were categorized on the basis of 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.

4. Risk categorisation of audit observations

A 6. 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.¹³

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

High risk	Issues or areas arising related 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 result in exposure to unmitigated risk that could have a high impact on the corporate objectives.
Medium risk	Issues or areas arising related to matters that significantly affect controls but may not require immediate action. The matters observed may cause a business objective not to be achieved, or result in exposure to unmitigated risk that could have an impact on the objectives of the business unit.
Low risk	Issues or areas arising that would, if corrected, improve internal controls in general. The recommendations made are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

¹³ 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.

A 7. Low risk recommendations, if any, are communicated by the audit team directly to management, and are not included in this report.

5. Recommendation tracking

A 8. The Office of Internal Audit tracks all medium and high risk recommendations. Implementation of recommendations will be verified through the Office of Internal Audit's system for monitoring the implementation of audit recommendations. The purpose of this monitoring system is 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.

6. Rating system

A 9. Internal control components and processes are rated according to their risk severity. 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, and 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

CO	Country Office
COMPAS	WFP's global commodity tracking application
ED	WFP Executive Director
EMOP	Emergency Operation
IOM	International Organization for Migration
IS/IT	Information Systems/Information Technology
M&E	Monitoring & Evaluation
SO	Special Operation
UN	United Nations
UNHAS	United Nations Humanitarian Air Services
WINGS	WFP's corporate ERP system
WFP	World Food Programme