

Internal Audit of WFP Operations in Syria and Neighbouring Countries

Office of the Inspector General
Internal Audit Report AR/14/22



World Food Programme

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Internal Audit of WFP Operations in Syria and Neighbouring Countries

I. Executive Summary

Introduction

1. As part of its annual work plan for 2014, the Office of Internal Audit conducted an audit of WFP Operations in Syria and the Neighbouring Countries involved in providing assistance to the Syrian refugees; namely, Egypt, Iraq, Jordan, Lebanon, and Turkey ("Syria Operation"). The total direct expenditure on the Syria Operation in 2013 amounted to USD 587 million, representing 13.8 percent of WFP's total direct expenses for the year. WFP's direct expenses on its operation inside Syria totalled USD 270 million and consisted of food assistance. The operation for Syrian refugees in the neighbouring countries had direct expenditure of USD 317 million and mainly comprised cash transfers to beneficiaries and the provision of vouchers that can be used to purchase food for a given quantity or value in selected outlets.

2. The audit covered activities from 1 July 2013 to 31 March 2014. It looked at events prior and subsequent to this period as required. The audit field visit took place between 2 June and 3 July 2014. The audit team visited the following countries and locations to carry out audit procedures and reviews of the processes and controls in place:

- Jordan: Amman and Mafraq
- Syria: Damascus, Homs, Safita and Tartous
- Iraq: Erbil
- Lebanon: Beirut

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**. Conclusions are summarised in Table 1 by internal control components:

Table 1: Summary of conclusions by Internal Control Components

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

Key Results of the Audit

Positive practices and initiatives

5. The audit noted a number of positive practices and initiatives. These included: a commitment by management to improve internal controls, resulting in the implementation of all the 21 recommendations made in the 2013 internal audit report; addressing of recommendations made by various other oversight missions; forward contracting for food commodities to procure at advantageous times and prices; innovative solutions to meet the monitoring needs of various offices; and a thorough and a well-documented risk register. These practices and initiatives were identified as strengthening WFP's overall capability to respond to the needs of the Syria Operation.

Audit observations

6. The audit report contains two high-risk and nine medium-risk observations. The high-risk observations are:

Programme management: Diversion of food assistance due to encashment of vouchers –

The monitoring reports of the Regional Emergency Coordination Office's (RECO) Jordan and Lebanon offices indicated a persistent encashment of vouchers intended only for food items by the beneficiaries through intermediaries. The offices initiated a number of measures to mitigate the risk. These included increasing the number of shops and stronger monitoring. Some elements of this risk called for corporate guidance and the issue will be raised in a separate internal audit report covering WFP's Cash & Voucher (C&V) process. The RECO has agreed to further harmonise and standardise monetisation monitoring in the region, and ensure risk mitigation takes place; review the strength of the Jordan Emergency Operation (EMOP) practices; and consult at the corporate level for a harmonised approach to the operational risk in delivering food assistance through vouchers.

In-country monitoring: Verification of programme activities in Syria – During the audit period, the Syria CO could only achieve 25 percent of its planned verification targets due to the challenges posed by the security situation within the country. A consistent and representative verification could not be achieved due to continued fighting and changing frontlines. The system in place at the CO did not have a tracking mechanism for observations arising from verification visits. The CO agreed to strengthen the planning process to achieve an optimal representative verification of the programme implementation, and to implement a system to record and track the findings and recommendations from verification visits.

Actions agreed

7. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations and work is in progress to implement the 11 agreed actions.

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



David Johnson
Inspector General

II. Context and Scope

Syria

9. Syria, officially the Syrian Arab Republic, has been in civil conflict since the Spring of 2011. The crisis started between forces loyal to the Syrian Ba'ath Party government and those seeking to oust it. Last year saw the rise of radical Islamist militias allied to al-Qaeda. Despite a counter-offensive by the government and its allies, large swathes of Syrian territory remain in rebel hands. These events led to a significant deterioration in the humanitarian situation in the country. By the end of 2013, 9.3 million people inside Syria were estimated to be in need of humanitarian assistance, 6.5 million were reportedly internally displaced, and more than 2.2 million refugees had fled to neighbouring countries. In June 2014, jihadist militants from the self-proclaimed Islamic State (IS) made significant gains on the ground in Syria as well as in neighbouring Iraq.

WFP Operations in Syria and Neighbouring Countries

10. WFP started its operations in Syria in 2007. WFP's initial response to the Syrian crisis was set up in 2011. It was organised around an Emergency Coordinator covering the regional refugee response for four countries (Iraq, Jordan, Lebanon, and Turkey), based in Amman with support provided by the Iraq backup CO and the Syria CO, reporting directly to the Regional Bureau in Cairo. In December 2012, the Syria Operation was declared a Level 3 Corporate Emergency, meaning that it required mobilisation of WFP global response capabilities in support of the relevant COs. Egypt was included within the regional EMOP. The activation of the corporate response brought together the Syria response and the regional response under a single Regional Emergency Coordinator (REC), based in Amman and reporting directly to the Corporate Response Director at WFP headquarters in Rome.

11. WFP's response to the Syrian crisis has mainly been organised through two EMOPs. During the audit period, the RECO managed and implemented the following projects:

- An EMOP (200339) at the Syria country level that started in November 2011 with a budget of USD 2 million and an initial period of thirteen months. The budget up to the end of 2014 was USD 1.5 billion. This single country EMOP was focused on WFP's Strategic Objective 1: Save lives and protect livelihoods in emergencies using cash & vouchers through general food distributions and nutrition interventions. Funding for the project at the start of the audit stood at 43 percent and it aimed to reach 4,250,000 beneficiaries inside Syria.
- A regional emergency operation (200433) that started in July 2012 with a budget of USD 24 million for an initial period of six months. The budget until the end of 2014 was USD 1.7 billion. This regional EMOP aimed to provide food assistance to vulnerable Syrian refugees in Egypt, Iraq, Jordan, Lebanon, and Turkey affected by the events in Syria. This regional EMOP has also focussed on achieving Strategic Objective 1: Funding for the project stood at 39 percent and it aimed to reach 2,555,000 Syrian refugees.
- A special operation (200477) to support UN cluster activities in Telecommunications and Logistics. This started in July 2012 with a budget of USD 7 million. The budget was increased to USD 31 million and funding at the start of the audit stood at 59 percent.

12. WFP's total direct expenditure on the Syria Operation in 2013 amounted to USD 587 million, representing 13.8 percent of WFP's total direct expenses for the year. WFP's direct expenses on its operation inside Syria in 2013 totalled USD 270 million and consisted of food assistance. The operation for Syrian refugees in the neighbouring countries had direct expenditure of USD 317 million and mainly comprised cash transfers to beneficiaries and the provision of vouchers that can be used to purchase food for a given quantity or value in selected outlets.

Objective and scope of the audit

13. 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 Syria and Neighbouring Countries. Such audits are part of the process of providing an annual and overall assurance to the Executive Director on governance, risk management and internal control processes.

14. 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 a risk-assessment exercise carried out prior to the audit.

15. The scope of the audit covered WFP's operations in Syria and Neighbouring Countries for the period from 1 July 2013 to 31 March 2014. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field visit took place between 2 June and 3 July 2014. The audit team visited the RECO in Amman and other locations in Iraq, Jordan, Lebanon and Syria.

III. Results of the audit

16. In performing the audit, the following positive practices and initiatives were noted:

Table 2: Positive practices and initiatives

1. Internal environment

- RECO management demonstrated a commitment to improve internal controls. This included action undertaken to implement all the 21 recommendations made in the 2013 internal audit report. This was acknowledged in the audit report AR/14/20 on the follow-up of recommendations raised in the 2013 internal audit of Syria operations.
- Coordination between RECO and the country offices contributing to the implementation of the programmes but not reporting to the RECO further improved. This resulted in the unification of common services to derive joint benefits and economies from existing capacities.
- There was active participation at various humanitarian fora and the RECO had been working with the wider humanitarian community for Syria.

2. Risk management

- An inclusive and consultative approach was taken when developing the risk registers. This resulted in a thorough and well documented risk register for the RECO and the reporting emergency coordinator offices.
- Identified risks were adequately linked with the annual work plans.

3. Control activities

- Innovative food supply agreements in Syria allowed the CO to benefit from advantageous time and prices when procuring food commodities. Between November 2013 and May 2014, Syria CO saved USD 530,000 through these agreements.
- A regular update of the stock availability information through weekly Requests for Information sent by the Syria procurement office to food suppliers helped to determine in advance the capacities and commodities' availability of the suppliers.
- A proactive approach towards transport and logistics resulted in improved efficiency despite operating within a challenging environment with complex corridors. Measures included: successfully bringing down the cost of transport, timely investment in time charters to save money, efficient utilisation of the time chartered vessels, planning transportation in a way that minimised the warehousing needs at the port and in the field, arrangements for the packing of rations and organising the security seals for the trucks.
- A good working relationship was established with the financial services provider who participated in the implementation of the e-Card system. The cooperation was consistent and effectively supported procedures; for example in the development of the required reporting tools.
- Jordan Operations conducted a comprehensive due diligence review of the Cooperating Partners (CPs) before they entered into the agreement.

4. Monitoring

- Innovative monitoring practices were introduced in Lebanon to identify unusual activities at the shops.
- Management implemented measures against the unauthorised encashment of vouchers in Jordan and Lebanon.
- Effective controls were established over the completeness and accuracy of the distribution data submitted by the CPs.

17. Having evaluated and tested the controls in place, the Office of Internal Audit came to the following conclusions on the residual risk related to the business processes for the Syria Operation:

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

Internal Control Component/Business Process	Risk
1. Internal environment	
Corporate organisational and reporting structure	Low
Strategic planning and performance accountability	Low
Delegated authority	Low
Assurance statement	Low
2. Risk management	
Enterprise risk management	Low
Emergency preparedness and response	Low
3. Control activities	
Finance and accounting	Medium
Programme management	High
Transport and logistics	Low
Commodity management	Low
Procurement	Low
Human resources	Low
Property and equipment	Low
Administration and travel	Low
Security	Low
Mobilise resources	Low
4. Information and communication	
Information and Communications Technology	Low
External Communication	Low
Internal communications	Low
5. Monitoring	
In-country Monitoring	High
Corporate Monitoring	Low

18. Based on the results of the audit, and while noting some of the constraints inherent to the context of the operations, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**¹.

19. The audit report makes two high-risk observations. These are explained in detail in Section IV of this report. Nine medium-risk observations arose from the audit. Tables 4 and 5 present the high and medium-risk observations respectively.

Action agreed

20. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations and work is in progress to implement the agreed actions².

¹ See Annex A for definitions of audit terms.

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

Table 4: High-risk observations

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Control Activities					
1 Programme Management: Diversion of food assistance due to encashment of vouchers – The monitoring reports of the RECO’s Jordan and Lebanon offices indicated a persistent encashment of vouchers (both paper and electronic) intended only for food items by the beneficiaries through intermediaries. The offices initiated a number of measures to mitigate the risk. These included increasing the number of shops and stronger monitoring. Some elements of this risk called for corporate guidance and the issue will be raised in a separate internal audit report covering WFP’s C&V process.	The RECO will: (a) Further harmonise and standardise monetisation monitoring in the region and ensure countries are conducting needed risk mitigation programmatic decisions to avoid voucher monetisation; (b) Review the strength of the Jordan EMOP practices; and (c) Consult at the corporate level and take a harmonised approach to determine an acceptable level of operational risk in delivering food assistance through vouchers and in establishing controls to mitigate the risks.	Operational Programmes Contextual	Compliance	Regional Emergency Coordination Office	31 December 2014
Monitoring					
2 In-Country Monitoring: Verification of programme activities in Syria – During the audit period, the Syria CO could only achieve 25 percent of its planned verification targets due to the challenges posed by the security situation in the country. A consistent and representative verification could not be achieved due to continued fighting and changing frontlines. The system in place at the CO did not have a tracking mechanism for observations arising from the verification visits.	The RECO will coordinate with the Syria CO for the latter to: (a) Develop a plan to achieve optimal geographic coverage for verification of programme activities in alignment with the country contextual realities, and ensure the plan discloses the challenges encountered in routine monitoring. The plan will include a rotation of the areas to be verified and a sampling of sites that produces statistical data which is significant in measuring the programme outputs and outcomes; and (b) Implement a system to record and track the findings and recommendations from verification visits.	Reporting Programmes Contextual	Guidance	Regional Emergency Coordination Office	31 December 2014

Table 5: Medium-risk observations

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Control Activities					
3	Programme Management: Cooperation with the CPs – During 2013, the Syria CO used one CP to cover 64 percent of its programme activities in the country. This CP provided a large capacity and presence across the country. The CP used 50 charities to implement WFP’s programme activities. WFP was not involved in the assessment or selection of these charities; neither did the Field Level Agreement between WFP and the CP include any provision for this. WFP could not ascertain that CP staff was provided with appropriate training to meet any capacity gaps. The audit noted that the distribution cycle applied in the field in Syria was different to that in the plans.	The RECO will coordinate with the Syria CO for the latter to implement the following actions: (a) Provide its main CP with overall guidance on requirements and control over subcontractors, including effective monitoring for early detection of issues related to subcontractors; (b) Explore alternative options, for example online sharing of training materials, to deliver training to those CP staff who cannot reach training venues due to logistics and security challenges and use the assessment tool to evaluate the capacity gaps of the CPs; and (c) Ensure that the distribution cycle in the field is aligned with the one in the approved plans.	Operational Programmes Institutional	Compliance Regional Emergency Coordination Office	31 December 2014
4	Finance and accounting: Delayed recording of commitments in WINGS, WFP’s corporate enterprise resource planning system – During the audit period, financial commitments worth USD 14.2 million (4.2 percent of the total purchases for the period) towards food and non-food vendors were recorded with delays by the various offices.	The RECO will implement procedures to ensure that offices record their commitments to third party vendors on a timely basis, and estimate any unrecorded commitments to avoid negative impact on budget management.	Reporting Accountability & Funding Institutional	Compliance Regional Emergency Coordination Office	30 November 2014

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date	
5	<p>Procurement: Improvements needed in the procurement process – The audit noted significant improvement in the RECO procurement process since the 2013 audit. However, there was no systematic approach for market research and capacity assessment of vendors, nor monitoring of achievement of procurement plans. The review of vendor rosters was not linked to the vendors’ performance appraisal and their responsiveness to WFP. Some active vendors had not been registered on the corporate electronic tendering database (Intend).</p>	<p>The RECO will take steps to:</p> <p>(a) Strengthen the implementation of its procurement strategy in terms of market research and vendor capacity assessments;</p> <p>(b) Strengthen the procedures to develop and monitor the RECO procurement plan; and</p> <p>(c) Have all active and valid vendors registered in the Intend database.</p>	<p>Operational</p> <p>Processes & Systems</p> <p>Institutional</p>	<p>Compliance</p>	<p>Regional Emergency Coordination Office</p>	<p>31 December 2014</p>
6	<p>Programme management: Coverage and coordination of programme activities – At the time of audit WFP Syria was making efforts to scale up its activities in the nutrition and education sectors in order to reach the targeted level of beneficiaries and address the strategic objectives of the Syrian Humanitarian Action and Response Plan (SHARP) and WFP’s strategic objectives. The objectives of SHARP included the expansion of early recovery, as well as restoration and stabilization of livelihoods, supporting the rehabilitation of vital public services affected by the crisis and creating an environment for humanitarian assistance to enhance the resilience of affected communities. The programme modalities currently implemented by WFP did not address this objective due to the current situation in Syria. The RECO confirmed starting school feeding and targeted nutrition support in July and August 2014.</p>	<p>The RECO will coordinate with the Syria CO for the latter to implement the following actions:</p> <p>(a) Coordinate with and support other humanitarian agencies implementing nutrition support and other activities;</p> <p>(b) Scale up school feeding to meet the number of beneficiaries and targeted categories set out in the agreement with the Syrian government; and</p> <p>(c) Identify areas where the livelihood activities could be implemented in coordination with the lead agency in this sector.</p>	<p>Strategic</p> <p>Programmes</p> <p>Programmatic</p>	<p>Guidance</p>	<p>Regional Emergency Coordination Office</p>	<p>31 December 2014</p>

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
7 Programme management: Harmonised approach to beneficiary verification in Lebanon – The role of WFP Field Monitors in verifying the identity of beneficiaries during the distribution of e-cards in Lebanon had not been defined or harmonised across the Sub-Offices (SOs), increasing the risk of cards and benefits reaching unintended individuals.	The RECO will take measures to ensure that the Lebanon CO, in coordination with the CP, establishes a harmonised approach for the monitoring of e-card distributions in Lebanon, and practical and effective guidelines are developed and shared with the CPs to ensure reasonable levels of beneficiary verification. These guidelines will provide for an audit trail that can be used in the certification of CP distribution reports by the SOs, and for the updating of the existing contractual agreement to include adequate risk mitigating actions for monitoring and authenticating the beneficiaries in receipt of e-cards.	Operational Programmes Programmatic	Guidance	Regional Emergency Coordination Office	30 November 2014
8 Programme management: Voucher transfer value review process – The RECO had not defined a process for systematically and periodically reviewing the appropriateness of voucher transfer values across the region. A formal documented review process of transfer values between budget revisions - including proper documentation on roles, responsibilities, formulation and approval of recommendations, and application of standard methodologies - had yet to be developed. These factors increased the risk of inefficient use of resources and underachievement of objectives as transfer values may have been misaligned to actual beneficiary needs.	The RECO, in coordination with its offices in the region, will define a process to review the appropriate level of transfer voucher values to beneficiaries on periodic basis, ensure a consistent methodology is applied for calculating the average food basket, document non-basket price related considerations, and apply a formal approval process.	Operational Programmes Programmatic	Compliance	Regional Emergency Coordination Office	31 December 2014

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
9 Programme management: Paper and e-card reconciliation process in Jordan and Iraq – The reconciliation of voucher redemptions to distribution reports was not detailed enough to provide assurance that voucher transfers reached the correct beneficiaries in the correct amount. The transfers to CPs and reimbursement and payments to retailers were not being correctly triangulated to retail sales reports. The processes for reconciliation and verification of transactions in Iraq hindered the scalability of activities.	<p>(a) The RECO, in coordination with the Emergency Coordinator in Jordan, will design procedures to ensure that data sources for the paper and e-Card reconciliation processes are reliable and independently obtained, remaining balances reported by the Financial Service Provider are checked for accuracy and completeness, and there is a three-way match of the sales report by shops to Point of Sale transactions and transfers to retailer bank accounts.</p> <p>(b) The RECO, in coordination with the Emergency Coordinator in Iraq, will review its key reconciliation procedures to ensure they can be scaled up, and assurance can be obtained on the validity of claims by the shops reported by the CPs.</p>	Operational Programmes Contextual	Guidance	Regional Emergency Coordination Office	31 December 2014
Monitoring					
10 In-country monitoring: Market and shop monitoring - The monitoring of markets in the region was irregular across the region. The impact of WFP's interventions on markets and local communities or the capacities of local markets and merchants to sustain a scale up of C&V activities was not being measured. The results of shop monitoring were not systematically analysed or documented in some of the operations examined, and techniques used for monitoring and reporting were not scalable.	<p>(a) The RECO has hired a Market Analyst and will implement the recommendations formulated in the Market Monitoring Activities Report.</p> <p>(b) The RECO's Lebanon office will consider centralising its shop data analysis through the creation of a dedicated data analyst function at the CO level to harmonise its data analysis approach, increasing the efficiency of the process and free up field monitors time for follow up activities.</p>	Reporting Programmes Institutional	Resources	Regional Emergency Coordination Office	31 December 2014

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<p>11 In-country monitoring: Beneficiary feedback mechanisms - Beneficiary feedback mechanisms for countries in the region were not harmonised. These mechanisms were well developed in some countries while in others feedback was limited to monitoring, partner helpdesks or reliance on interagency United Nations High Commissioner for Refugees (UNHCR) and partner hotlines.</p> <p>Beneficiary feedback mechanisms are key in transparency and accountability, and effective implementation requires a suite of appropriate mechanisms that are clearly communicated to beneficiaries. Feedback received must be systematically recorded, analysed and acted upon, and periodic reports prepared on trends and statistics to form a basis for overall programme refinement.</p>	<p>The RECO will take the following measures to improve beneficiary feedback mechanisms:</p> <p>(a) Provide guidance on best practices in beneficiary feedback mechanisms including help desks, help boxes, hotlines, social media and monitoring, highlighting overall issues such as confidentiality and protection of beneficiaries and, where possible, avoiding cost to beneficiaries in providing feedback and encouraging joint interagency mechanisms to avoid confusing them;</p> <p>(b) Emphasise the importance of communicating beneficiary feedback mechanisms to beneficiaries in appropriate language, formats and media taking into account different abilities and literacy levels;</p> <p>(c) Provide a template for systematic recording of beneficiary feedback received, and a process for identifying where to refer feedback for action, and appropriate follow-up;</p> <p>(d) Provide a template for monthly reporting on beneficiary feedback received by WFP, and what information should be sought from partners on feedback they are receiving; and,</p> <p>(e) Continue to explore possibilities for further feedback mechanisms for its operations in Syria and Turkey, in coordination with other humanitarian and state stakeholders.</p>	<p>Reporting</p> <p>Programmes</p> <p>Institutional</p>	<p>Resources</p>	<p>Regional Emergency Coordination Office</p>	<p>31 December 2014</p>

IV. Detailed Assessment

Control Activities

High Risk

Observation 1 Programme Management: Diversion of food assistance due to encashment of vouchers

21. WFP implemented its largest voucher programme in emergency operation for Syrian refugees in Egypt, Iraq, Jordan, Lebanon and Turkey. The voucher expenditure for this emergency operation during 2013 amounted to USD 317 million, representing 7.4 percent of WFP's direct expenditure for the year. WFP reached 1.4 million of its 2.5 million planned beneficiaries in the above countries.

22. Lebanon and Jordan were the two largest operations in this voucher programme and accounted for 40 percent and 33 percent of the voucher expenditure for 2013 respectively. The monitoring reports of these two operations indicated a persistent encashment of food assistance vouchers, both paper and electronic, by the beneficiaries at less than face value.

23. Recognising the risk, the Jordan and Lebanon offices initiated a number of measures to mitigate it, such as a shift to e-Cards with better controls against unauthorised encashment or trading, increasing the number of shops, and improving monitoring. Some elements of this risk called for corporate guidance and the issue will be raised in a separate internal audit report covering WFP's C&V process.

Underlying cause of observation: Post distribution reports indicated that the main reason for encashment is the varied needs of the beneficiaries, for example rent, medicines, hygiene items, clothing, etc.

Implication: Diversion of food assistance to the unintended use can pose challenges in achieving food related programming objectives. It could result in reputational risk for WFP.

Policies, procedures and requirements: Effective achievement of programmatic objectives and WFP's zero tolerance for fraud, corruption and collusive practices (WFP Anti-Fraud and Anti-Corruption Policy).

Agreed action: The RECO will (a) Further harmonise and standardise monetisation monitoring in the region and ensure countries are conducting needed risk mitigation programmatic decisions to avoid voucher monetisation; (b) Review the strength of the Jordan EMOP practices; and (c) Consult at the corporate level and take a harmonised approach to determine an acceptable level of operational risk in delivering food assistance through vouchers and in establishing controls to mitigate the risks.

Due Date: 31 December 2014

Monitoring

High Risk

Observation 2 In-country Monitoring: Verification of programme activities in Syria

24. The performance indicators included in the logical framework for the EMOP 200339 "Emergency Food Assistance to People Affected by Unrest in Syria" were supported by the Monitoring & Evaluation toolkits designed by the RECO and its Country Office in Syria. These toolkits were designed to enable the offices obtain relevant information to evaluate and report on the achievement of the performance indicators, and assess the impact of the programme activities in Syria. Although the toolkits included the outcome indicators stated in the project document, the level of verification coverage and the difficulty in accessing some governorates due to security issues made it difficult to assess and evaluate the overall impact of WFP's programme activities. Audit observations from the review of the CO's verification systems were as follows:

- (a) Due to the volatile security situation, planned verification visits for the WFP food staff could not be achieved. From January 2014 to May 2014, a total of 186 locations were planned to be visited by WFP staff but only 46 locations (25 percent) could be visited.
- (b) The CO randomly selected the sites to be verified. In 2014, of the 538 Final Distribution Point (FDP) sites, 211 locations (39 percent) were visited by WFP or third party facilitators. Although 136 of these FDPs had repeated visits by either WFP or the third party facilitator during the first half of 2014, a wider geographic coverage was not achieved. The CO had recently adopted the corporate best practice in terms of random sample selection, but the difficulties to access hot-spot areas due to continued fighting and ever-changing frontlines hampered consistent and representative field verification.
- (c) In its field reports, the CO highlighted the increase of verification coverage by contracting a third party facilitator who could access areas not accessible to WFP. According to the Terms of Reference, this facilitator was not required to provide verification information similar to the one provided by WFP staff. The facilitator's individual mission reports only covered the situation regarding the access, prices of basic necessities, number of beneficiaries of WFP food rations, distribution, other humanitarian assistance and logistics. The TOR did not include the need to report on detailed performance indicators and to assess the impact of WFP programme activities.
- (d) The CO did not have a system to track the findings noted from field visits by WFP staff and how the issues were resolved. Further, the CPs implementing the programme activities did not have a system to track the complaints received from beneficiaries.

Underlying cause of observation:	Challenges to access areas due to the security situation and third party facilitators limited to facilitate project activities.
Implication:	Insufficient verification of programme activities and limitations in reporting may lead to insufficient oversight over the implementation of WFP's projects.
Policies, procedures and requirements:	Best practices in project implementation, evaluation and reporting. Project logical framework.
Agreed action:	The RECO will coordinate with the Syria CO to: (a) Develop a plan to achieve optimal geographic coverage for verification of programme activities in alignment with the country contextual realities, and ensure the plan discloses the challenges encountered in routine monitoring. The plan will include a rotation of the areas to be verified and a sampling of sites that produces statistical data which is significant in measuring the programme outputs and outcomes; and (b) Implement a system to record and track the findings and recommendations from verification visits.

Due Date: 31 December 2014

Annex A – Audit definitions

1. WFP's Internal Control Framework (ICF)

A 1. WFP's Internal Control Framework follows principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) 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 recognises 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 frameworks³ and the Standards of the Institute of Internal Auditors

1	Strategic:	Achievement of the organisation'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	People:	Effective staff learning and skill development – Engaged workforce supported by capable leaders promoting a culture of commitment, communication & accountability – Appropriately planned workforce – Effective talent acquisition and management.
2	Partnerships:	Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated.
3	Processes & Systems:	High quality programme design and timely approval – Cost efficient supply chain enable timely delivery of food assistance – Streamlined and effective business processes and systems – Conducive platforms for learning, sharing and innovation.
4	Programmes:	Appropriate and evidence based programme responses – Alignment with Government priorities and strengthened national capacities – Lessons learned and innovations mainstreamed – Effective communication of programme results and advocacy.
5	Accountability & Funding:	Predictable, timely and flexible resources obtained – Strategic transparent and efficient allocation of resources – Accountability frameworks utilised – Effective management of resources demonstrated.

³ 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 and 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 and financial loss through corruption.

3. Causes or sources of audit observations

A 5. The observations were broken down into categories based on 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. 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

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

High risk	Issues or areas arising relating to important matters that are material to the system of internal control. The matters observed might be the cause of non-achievement of a corporate objective, or result in exposure to unmitigated risk that could highly impact corporate objectives.
Medium risk	Issues or areas arising related to issues that significantly affect controls but may not require immediate action. The matters observed may cause the non-achievement of a business objective, 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 observations identified are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

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

5. Monitoring the implementation of agreed actions

A 8. The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions will be 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 so as to manage

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.

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 the severity of their risk. 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. 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

C&V	Cash and Vouchers
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Cooperating Partner
e-cards	Electronic Cards for Food Assistance
EMOP	Emergency Operations
FDP	Final Distribution Point
ICF	Internal Control Framework
In-Tend	E-tendering System
IS	Islamic State
REC	Regional Emergency Coordinator
RECO	Regional Emergency Coordination Office
SO	Sub-Office
SHARP	Syrian Humanitarian Action and Response Plan
UN	United Nations
WFP	World Food Programme
WINGS	WFP's Information Network & Global System