Internal Audit of WFP Office of the Executive Director

Office of the Inspector General
Internal Audit Report AR/13/06

WFP

World Food Programme

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Contents

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I. Executive Summary

Introduction

1.   As part of its annual work plan for 2012, the Office of Internal Audit conducted an audit of WFP Office of the Executive Director. The audit covered the activities of the Office from 1 January to 30 September 2012 and was carried out in headquarters.

2.   The Office of the Executive Director is the role model within WFP for setting the "tone at the top" and for supporting the Programme's realization of its management objectives of securing resources, stewardship, learning and innovation, internal business processes and operational efficiency.

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 **satisfactory**[1]. Conclusions are summarized 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 assessment	Medium	🟨
3. Control activities	Medium	🟨
4. Information and communication	Low	🟩
5. Monitoring	Medium	🟨

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[1] See Annex A for definitions of audit terms.

Key Results of the Audit

Positive practices and initiatives

5.   The audit noted a number of positive practices and initiatives, including a clear and communicated organizational structure, annual performance planning and risk assessment processes in place, proper segregation of duties in WINGS, dedicated and hard-working staff, and improvements in management of overtime and hospitality expenses. Furthermore, internal and external communications initiatives were driven by the Office, and there was a daily follow-up of all pending actions to be taken by the Office.

Audit recommendations

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

Management response

7.   Management accepted all the recommendations and has reported that they are in the process of implementing them.

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

Office of the Executive Director

9. The current Executive Director of the United Nations World Food Programme came on board in April 2012.

10. The Office of the Executive Director is the role model within WFP for setting the "tone at the top" and for supporting the Programme's realization of its management objectives of securing resources, stewardship, learning and innovation, internal business processes and operational efficiency. During the transition period, the Office of the Executive Director's key objective was to ensure it provided a bridge between the Organization and the Executive Director, supporting in particular the organizational realignment and strengthening initiative.

11. The goal of the Office of the Executive Director is to support and advise the Executive Director and help connect other Departments, as the Executive Director works internally and externally to promote and foster the implementation of WFP's Strategic Plan. The management objectives of the Office of the Executive Director are in line with management dimensions for the Programme as a whole and support the Programme in securing resources, stewardship, learning and innovation, internal business processes and operational efficiency. As at the time of the audit, the Office of the Executive Director had a total of 18 staff (the Executive Director, two Directors, six Professional staff, and nine General Service staff).

Objective and scope of the audit

12. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with internal control components of the work of WFP's Office of the Executive Director, 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.

13. 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.

14. The scope of the audit covered the work of WFP's Office of the Executive Director, focussing on the tone at the top as demonstrated by activities of the Office of the Executive Director, for the period from 1 January to 30 September 2012. Where necessary, transactions and events pertaining to other periods were reviewed. The audit, which took place from 19 November to 14 December 2012, took place in headquarters.

III. Results of the audit

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

Table 2: Positive practices and initiatives

1. Internal environment

- A clear organizational structure has been developed for the Office of the Executive Director and communicated to all the staff in the office.
- Annual Performance Plan prepared and updated

2. Risk assessment

- Risk Registers prepared for all the activities in the Office of the Executive Director.

3. Control activities

- Segregation of duties and delegation of authority for Purchase Orders has been properly established and operationalized in WINGS as per corporate procedures.
- The staff in the Office of the Executive Director are prepared to work long hours to support and facilitate the work of the Executive Director and of the office.
- Improved management of overtime in the Office of the Executive Director.
- Improvement noted in managing and recording hospitality expenses.

4. Information and communication

- Appointment schedule for the Executive Director published in the WFP internet.
- Internal communication of the Executive Director's key events calendar which has planning outlook over a year in advance.
- "Just Ask" system on the intranet for prompt responses to staff queries to the Executive Director.

5. Monitoring

- Daily follow-up performed for all pending actions to be taken by the Executive Director and the staff in the Office of the Executive Director.

16. 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 – categorization of risk by internal control component and business process

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

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

18. No high risk recommendations arose from this audit. A total of five medium-risk recommendations were made, and are presented in Table 4.

Management response

19. Management has agreed with all recommendations and has reported that implementation is in progress.

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[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
Risk Assessment						
1	**Enterprise risk management:** ERM in the Office of the Executive Director – The 2012 risk registers were inherited from the previous administration, and a decision was taken to use these until the end of 2012. The Office informed us that many of the inherited targets and indicators appeared to be tied to individual staff members' workload rather than formulated out of the corporate management results framework.	Develop a consolidated risk register for the Office of the Executive Director, in coordination with the Performance management and Monitoring Division, prioritising all risks and mitigating actions based on likelihood and impact.	Compliance Stewardship Institutional	Compliance	Office of the Executive Director	31 March 2013
Control Activities						
2	**Human Resources:** Corporate policy and practice for engaging interns – The current corporate guidelines for interns may not meet actual business requirements.	Review the criteria for the appointment of interns to determine if these are practical or improvement is warranted, and ensure a transparent and consistent process of hiring interns, with any exceptions being supported with documented justification.	Compliance Internal business processes Institutional	Compliance	Human Resource Management Division	30 June 2013

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[3] See Annex A for definition of audit terms.

	Observation	Recommendation	Risk categories[3]	Underlying cause category	Owner	Due date
	Monitoring					
3	**Programme monitoring and evaluation:** Monitoring performance across the organization – The Executive Director needs to have the right information to know how each entity is performing in key areas on a periodic basis. At the same time, the Executive Director and the Office of the Executive Director need to ensure that accountability for performance clearly remains with the respective entities, and not with the Office of the Executive Director.	Develop a mechanism to facilitate the systematic raising of relevant performance information to the Executive Director.	Operational Operational efficiency Programmatic	Guidelines	Office of the Executive Director	30 September 2013
4	**Programme monitoring and evaluation:** System for following up on actions from Executive Director's correspondence – the Executive Director correspondence logging system does not have all the necessary tracking/ reporting tool mechanisms.	Enhance, in coordination with the Information Technology Division, the use of the Executive Director Correspondence logging system for better follow-up.	Operational Internal business processes Institutional	Guidelines	Office of the Executive Director	30 June 2013

	Observation	Recommendation	Risk categories[3]	Underlying cause category	Owner	Due date
5	**Programme monitoring and evaluation:** Change management policies and procedures – The Executive Director Circular and Change Management Directive have not been reviewed for several years, and were not used in the Organizational Design and Realignment exercise. The mechanism used in 2012 for organizational change did not strictly comply with Executive Director Circular and Change Management Directive, but did follow a clear process with similar aims and controls.	Review and update (if needed) the Executive Director Circular on Change Management ED2006/008 and Change Management Directive OEDCM2006/001.	Compliance Internal business processes Institutional	Guidelines	Office of the Executive Director	30 June 2013

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 COSO frameworks[4] 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 2.   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).

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[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 and humanitarian crisis.
2	Programmatic:	Failure to meet programme objectives and/or potential harm caused to others though interventions.
3	Institutional:	Internal to WFP: fiduciary failure, reputational loss and financial loss through corruption.

2. Causes or sources of audit observations

A 3.   The observations were broken down into categories based on causes or sources:

Table A.3: Categories of causes or sources

1	Compliance	Requirement for complying with prescribed WFP regulations, rules and procedures.
2	Guidelines	Need for improvement in written policies, procedures or tools for guiding 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 made by staff entrusted to perform assigned functions.
6	Best practice	Opportunity for improvement to achieve recognized best practice.

3. Risk categorization of audit observations

A 4.   The audit observations were categorized 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.[5]

Table A.4: Categorization 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 recommendations made are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

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

4. Recommendation tracking

A 6.   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 the monitoring of the implementation of audit recommendations. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe so as to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

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[5] 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.

5. Rating system

A 7.   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

ERM   Enterprise Risk Management
WINGS   WFP's corporate ERP system
WFP   World Food Programme