

WFP's Aviation Service and Aviation Safety Unit

Office of the Inspector General
Internal Audit Report AR/13/07



World Food Programme

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Internal Audit of WFP's Aviation Service and Aviation Safety Unit

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 Aviation Service and Aviation Safety Unit. In 2012, WFP transported 365,000 passengers and 2,800 mt of cargo by air for 700 humanitarian organisations in 14 countries¹.
2. The audit covered the aviation activities from 1 January 2011 to 30 June 2012 and included audit work in WFP headquarters and in the Republic of South Sudan, Democratic Republic of Congo and Somalia Country Offices.
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 **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	High	
2. Risk assessment	High	
3. Control activities	Medium	
4. Information and communication	Low	
5. Monitoring	Medium	

Key Results of the Audit

Positive practices and initiatives

5. A number of positive practices and initiatives were noted including the existence of an independent safety unit, standardised operational procedures, global fund-raising initiatives and partnership and user feedback mechanisms, the performance of risk assessments by each country office, and the building of capacity at regional and local levels. All of these practices and initiatives were identified as strengthening WFP's capability to respond to its aviation needs.

¹ WFP/EB.A/2013/4 – Annual Performance Report for 2012 – page 28

² See Annex A for definitions of audit terms.

Audit recommendations

6. The audit report contains three high-risk and 14 medium-risk recommendations. The high-risk observations were as follows:

7. **The role of the Aviation Safety Board:** The Aviation Safety Manual defines the Aviation Safety Board's role as duplicating the role of Assistant Executive Director, Operation Services, in that both encompass the role of the "accountable executive", with whom, according to the International Civil Aviation Organisation, ultimate responsibility and accountability for the Safety Management System lies. It must be clarified whether the Aviation Safety Board is a decision-making body or an advisory group. We recommended that the Operations Services Department review the role and composition of the Aviation Safety Board.

8. **The assignment of safety responsibilities:** The assignment of safety responsibilities, although understood by consensus, was not clearly spelled out in the relevant manuals or other authoritative documentation. We recommended that the Assistant Executive Director, Operations Services Department, define the respective safety mandates and related responsibilities of the Aviation and Aviation Safety Units.

9. **Risk management in WFP's aviation services:** Risk management specific to aviation had not been formally included as part of wider corporate risk management, and the framework for internal control and management assurance resided at the more generic level of the Logistics Division, not at the specific level of the Aviation Service. We recommended that the Aviation Service put in place a system for management of aviation-specific risks with processes for elevating risks to a higher level of management where needed, and discuss with the Business Innovation and Support Office and the Logistics Division whether the Aviation Service should be separately analysed in WFP's internal control framework and assurance processes.

Management response

10. Management accepted all the recommendations and reported that they are 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

Aviation Services

12. Following WFP's air accident in Kosovo in 1999, when a WFP-chartered aircraft crashed, killing all passengers and crew aboard, the International Civil Aviation Organisation (ICAO) was requested to perform an audit of WFP's aviation operations. In 2003, the United Nation's Fifth Session of the High Level Committee on Management gave WFP the responsibility for providing safe, reliable and cost-efficient air transport for all UN agencies involved in relief operations with effect from January 2004. These events led to comprehensive re-organisation within WFP. The Executive Director, in a Decision Memorandum dated 6 July 2003, committed WFP to implementing the ICAO recommendations, and the Aviation Safety Unit was formed under directive OD2004/001 which provided guidelines for the implementation of the ED Decision Memorandum.

13. The spirit of the Aviation Safety Manual is to allow the relevant WFP units to stay in line with best industry practices and the latest developments in aviation safety, as regulated by ICAO and other standards. With these improved safer service provisions the numbers of passengers transported by WFP more than tripled, from 95,000 in 2001 to 354,000 in 2011.

WFP Aviation

14. In 2011 and the first half of 2012 WFP carried out 12 aviation Special Operations in a number of different countries, 11 United Nations Humanitarian Air Service operations and one aviation emergency response project. The Aviation Service in WFP's headquarters provided technical control and oversight for these operations.

15. The Aviation Safety Unit reported independently to the DED Operations during the period of review. In addition to staff in headquarters, the Aviation Safety Unit based regional officers in Nairobi, Johannesburg and Dubai to provide oversight over the aviation operations.

16. In 2012, UNHAS transported 365,000 passengers and 2,800 mt of cargo for 700 humanitarian organisations in 14 countries³.

Objective and scope of the audit

17. 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 Aviation and Transport Safety operations, as part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

18. 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.

³ WFP/EB.A/2013/4 – Annual Performance Report for 2012 – page 28

19. The audit scope covered WFP's Aviation Service and Aviation Safety Unit for the period from 1 January 2011 to 30 June 2012. Where necessary, transactions and events pertaining to other periods were reviewed. The audit, which took place from 10 September to 4 October 2012, included audit work in WFP headquarters and in the Republic of South Sudan, Democratic Republic of Congo and Somalia Country Offices.

III. Results of the audit

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

Table 2: Positive practices and initiatives

1. Internal environment

- The independence of the Aviation Safety Unit allowed for healthy differences of opinion with the Aviation Service that ensured risks are identified and mitigated in an open and comprehensive manner.

2. Risk assessment

- Most country offices included aviation in work plan risk assessments, which helped ensure that relevant risks are identified and managed at country office level.

3. Control activities

- The flight management system (work in progress) is intended to allow easy and global access to an aviation specific database, for enhanced information access and sharing.
- Aviation operations also looked to build local and regional capacity in aviation services, and a capacity building training programme was in place, thus contributing towards WFP's strategic objectives.
- The Aviation Service had created a template for donor appeals that could be tailored by the different countries, thus contributing towards efficiency improvements.
- The Aviation Service had begun to raise funds at a global level.

4. Information and communication

- Partnerships were managed at a field operation level by the Humanitarian Coordination Team and the User Group Committee, thus ensuring coordination and communication.

5. Monitoring

- Many operations had introduced customer service survey systems to allow for user feedback.
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21. 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 processes:

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

Internal Control Component/ Business Process	Risk (Aviation Service)	Risk (Aviation Safety Unit)
1. Internal environment		
Corporate organizational and reporting structure	Medium	High
Delegated authority	High	High
Strategic Planning and performance accountability	Medium	--
2. Risk assessment		
Enterprise risk management	High	--
3. Control activities		
Finance and accounting	Medium	Medium
Transport and logistics	Medium	--
Procurement	Medium	--
Human resources	Medium	--
Mobilise resources	Medium	--
IS/IT acquire and implement	Medium	--
4. Information and communication		
External relations and partnerships	Low	--
Internal communications and feedback	Low	--
5. Monitoring		
Programme monitoring and evaluation	Medium	--

22. Based on the results of the audit, the Office of Internal audit came to an overall conclusion of **partially satisfactory**⁴.

23. A total of three high-risk recommendations were made, which are detailed in Section IV of this report. Fourteen medium-risk recommendations were made. Tables 4 and 5 below present the high- and medium-risk recommendations respectively.

Management response

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

⁴ See Annex A for definitions of audit terms.

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

Observation	Recommendation	Risk categories ⁵	Underlying cause category	Owner	Due date
Internal Environment					
1 Corporate organisational and reporting structure: Role of the Aviation Safety Board – The corporate organisational structure gave rise to duplication of accountability between the Assistant Executive Director, Operations Services Department and the Aviation Safety Board, and a potential conflict of segregation of duties between aviation safety and operations at the executive staff level.	Review the role and composition of the Aviation Safety Board.	Operational Operational efficiency Institutional	Guidance	Operations Services Department	31 December 2013
2 Delegated authority: Safety mandate and responsibilities – The relevant responsibilities and especially the interface between the Aviation and Aviation Safety Units were not clarified when the Aviation Safety Unit was formed.	Define the respective safety mandates and related responsibilities of the Aviation and Aviation Safety Units.	Operational Operational efficiency Institutional	Guidelines	Operations Services Department	31 March 2014
Risk Assessment					
3 Enterprise risk management: Risk identification and reporting – Aviation-specific risk management had not been formally embedded in corporate Enterprise Risk Management. WFP's internal control framework and management assurance processes resided at the more generic level of the Logistics Division, not at the specific level of the Aviation Service.	Institute a system for management of aviation-specific risks with processes for elevation where needed, and discuss with the Business Innovation and Support Office and the Logistics Division whether the Aviation Service should be separately analysed in WFP's internal control framework and assurance processes.	Strategic Stewardship Programmatic	Guidance	Aviation Service	31 December 2013

⁵ See Annex A for definition of audit terms

Table 5: Medium-risk recommendations

Observation	Recommendation	Risk categories ⁶	Underlying cause category	Owner	Due date
Internal Environment					
4	Corporate organisational and reporting structure: Aviation in the field – The organizational and reporting structure for aviation operations in the field had developed in an ad-hoc manner.	Operational Operational efficiency Institutional	Guidance	Operations Services Department	31 December 2013
5	Strategic planning and performance accountability: Measurement of Safety Performance – WFP chose, correctly at the time, to use data since 2005 to assess its performance. This data may no longer be so relevant, so its continued use may suggest analysis towards historical trends, obscuring more recent ones.	Reporting Operational efficiency Programmatic	Guidance	Aviation Safety Unit	31 March 2014
6	Strategic planning and performance accountability: Resolution of safety issues – Remedial actions, set up by the Aviation Safety Unit to correct safety issues, tended to be defined in generic terms, without clear assignment of responsibility for actions to be taken, a timeline and measurable criteria for the completion of tasks.	Operational Operational efficiency Institutional	Guidance	Aviation Safety Unit	31 December 2013

⁶ See Annex A for definition of audit terms

Observation	Recommendation	Risk categories ⁶	Underlying cause category	Owner	Due date
Control Activities					
7	Finance and accounting: Accountability in Country Offices – Responsibilities between UNHAS and Country Office finance staff were not always clear, segregation of duties was not always in place.	Consult with the Finance and Treasury Division on accountabilities and information sharing	Operational Internal business processes Institutional	Guidelines Aviation Service	31 December 2013
8	Finance and accounting: UNHAS charging, invoicing and receivables – Guidelines and standardized information reports for the management of UNHAS receivables were lacking.	Institute systems to ensure that receivables are properly booked, aged and regularly reconciled to the corporate ERP system.	Operational Internal business processes Institutional	Guidelines Aviation Service	31 December 2013
9	Finance and accounting: Aviation Special Account – A number of factors gave rise to a risk that this account may not have been properly controlled. The administration, funding mechanism, and management of the account needed improvement, and these matters were not discussed at the Committee on Commodities, Transport and Insurance, which should provide post-factum control.	Report to the Committee on Commodities, Transport and Insurance on key activities of the Aviation Special Account.	Operational Stewardship Institutional	Guidelines Logistics Division	31 December 2013
10	Transport and logistics: Safety management system – The Safety Management System had not been fully implemented, despite the promise in the Aviation Safety Manual that it would be. This system is used to maintain conformity with ICAO regulations and industry best practices and to facilitate interaction with authorities and holders of chartered Air Operators' Certificates.	Define WFP's Safety Management System and institute an implementation strategy.	Compliance Stewardship Programmatic	Compliance Aviation Safety Unit	31 March 2014

Observation	Recommendation	Risk categories ⁶	Underlying cause category	Owner	Due date
11 Transport and logistics: Training and usage of tracking system for live flight data – The system was not being optimally used, indicating a need for improved coordination at country level between UNHAS and Country Office units for better training and usage of tracking systems.	Coordinate with Operational Services to put in place coordination and handover guidelines for Country Offices and UNHAS for flight following.	Operational Operational efficiency Institutional	Guidelines	Aviation Service	31 December 2013
12 Procurement: Air Transport Contracting Committee – The Committee’s composition had not been recently reviewed, it did not benefit from the participation of external members.	Review the composition of the Air Transport Contracting Committee to include participants from other functional units.	Operational Internal business processes Institutional	Guidelines	Logistics Division	31 March 2014
13 Human resources: WFP’s HR policies in the context of aviation – WFP’s standard HR policies seemed not to be fully suited to the needs of aviation operations, which resulted in waivers, long recruitment times, and roles assigned to consultants.	Consult with the Human Resources Management Division to review the application of relevant HR policies to aviation operations.	Compliance Securing resources Institutional	Compliance	Operations Services Department	31 December 2013
14 Mobilise resources: Roles and responsibilities for mobilising resources – There were potential opportunities to clarify and expand roles and responsibilities for UNHAS resource mobilisation.	Discuss opportunities to address the matter of UNHAS funding with the Partnership and Governance Services Department, in order to clarify and strengthen the roles within WFP and in the wider UN community.	Operational Securing resources Institutional	Guidelines	Operations Services Department	30 June 2014
15 IS/IT Acquire and Implement: Implementation of the Flight Management System – Changes to the Flight Management System had been made in an informal and uncoordinated way. There was no test environment in place, meaning that all changes went straight to the production environment without structured testing and approval.	Follow corporate guidance for further implementation and improvement of the Flight Management System, and consider creating a steering committee for the system.	Operational Operational efficiency Institutional	Guidance	Aviation Service	31 December 2013

Observation	Recommendation	Risk categories ⁶	Underlying cause category	Owner	Due date
Monitoring					
16 Programme monitoring and evaluation: Quality assurance over field operations and flights – Resources for quality assurance appeared not to be adequate.	Review the quality assurance programme and put in place a valid and actionable plan to improve quality oversight.	Operational Operational efficiency Institutional	Resources	Aviation Service	31 December 2013
17 Programme monitoring and evaluation: Performance indicators – The existing information system did not provide the metrics required for aviation performance indicators.	Streamline information systems, define performance benchmarks and related Key Performance Indicators for operations and ensure that the relevant basic data for the analyses is recorded and that relevant reports can be extracted from the Flight Management System.	Reporting Operational efficiency Institutional	Guidelines	Aviation Service	31 December 2013

IV. Detailed Assessment

Internal Environment

High-risk

Observation 1 Corporate organisational and reporting structure: Role of the Aviation Safety Board

25. The role of the Aviation Safety Board, as defined in section 1.4.1.1 of the Aviation Safety Manual, is mainly to approve safety-related policy, monitor the safety performance of WFP's aviation activities and ensure that the appropriate resources are allocated to support the programmes required to enhance WFP's aviation safety performance. The Manual states that the Board will meet at least twice a year.

26. As shown in the Manual, the "WFP DED and Chief Operating Officer" chairs the Aviation Safety Board, and is accountable to the Executive Director for aviation safety in WFP. According to ICAO terminology, this individual is the "accountable executive", who has ultimate responsibility and accountability for implementation and maintenance of the Safety Management System. As a legacy of WFP's previous reporting structure, this role was carried out by the Assistant Executive Director, Operations Services, who was also responsible for aviation operations through the Logistics Division's direct reporting line.

27. There was thus an apparent duplication of roles between the Board's approval role and the accountable executive's accountability role, and a potential conflict of interest between the accountable executive's safety and operational roles.

Recommendation 1

Underlying cause of observation:

Guidance: The corporate organisational structure gave rise to a duplication of accountability between the Assistant Executive Director, Operations Services Department and the Aviation Safety Board, and a potential segregation of duties conflict between aviation safety and operations at the level of executive staff.

Implication:

This gave rise to the risk of diluted responsibility and untimely reactions.

Policies, procedures and requirements:

ICAO Safety Management Manual Doc 9859 (unedited advance third edition) Section 4.3.2 (Safety Accountability).

Recommendation: The Operations Services Department should review the role and composition of the Aviation Safety Board.

Agreed Management Actions: The Operations Services Department agreed with the recommendation and will:

- review the role and composition of the Aviation Safety Board; and
- prepare an appropriate Executive Director Decision Memorandum.

Target implementation date: 31 December 2013

Internal Environment

High- Risk

Observation 2 Delegated Authority: Safety mandate and responsibilities

28. The corporate organisational structure included the Aviation Safety Unit (reporting to the Assistant Executive Director, Operations Services, but administered by the Aviation Service in the Logistics Division), and Aviation Service (reporting to the Logistics Division). A certain distance between safety and operations allows healthy debate and checks and balances, which should ensure that risks are identified and mitigated in an open and comprehensive manner. It requires that the respective safety mandates and responsibilities of the Aviation Safety Unit and Aviation Service are clearly established.

29. The assignment of safety responsibilities within WFP and in particular the respective mandates of Aviation and the Aviation Safety Units were not clearly defined in the Aviation Safety Manual, the Air Transport Manual or in any other documents. The Aviation Safety Manual is almost entirely devoted to Aviation Safety Unit activities, while the Air Transport Manual has a section (1.7) on the interface between Aviation Transport and the Aviation Safety Unit but this provides little detail. There was a consensus among the aviation staff that Chief, Aviation Service, was responsible for the management of the safety of WFP aviation operations but this is not explicitly stated in the two Manuals.

30. The Aviation Safety Unit included Regional Safety Officers, who have been posted to various locations. The Johannesburg-based Regional Safety Officer's span of control was particularly geographically wide and operationally diverse. Certain safety requirements had not been reviewed in a timely manner, especially the use of contractors in the more distant countries in the Officer's mandates. For example, the audit observed an instance where a request for an operator review in March 2011 was partially addressed in December 2011 with no further follow up communicated to the Aviation Service.

31. The geographical span of control also had an effect on the degree of involvement of Regional Safety Officers with operators. Operations with a Regional Safety Officer in close proximity stated that the Regional Safety Officer had visited them and was involved in safety meetings with the operators. Other operations indicated that their relationship with their Officer was restricted to the sharing of reports. The Aviation Safety Unit informed us that the Regional Safety Officers' span of control was recently considered at the Aviation Safety Board and was in the process of being addressed and rationalised.

Recommendation 2

Underlying cause of observation:

Guidelines: The relevant responsibilities and especially the interface between the Aviation and Aviation Safety Units were not clarified when the Aviation Safety Unit was formed.

Implication:

WFP is exposed to the risk that a safety issue may not be appropriately addressed because of confusion regarding roles, and that responses may be inconsistent.

Policies, procedures and requirements:

Aviation Safety Manual, Air Transport Manual and ICAO Safety Management Manual Doc 9859 (unedited advance third edition) Sections 4.3.1 to 4.3.3.

Recommendation: The Operations Services Department should define the respective safety mandates and related responsibilities of the Aviation and Aviation Safety Units.

Agreed management actions: The Operations Services Department agreed with the recommendation and will:

- task the Chiefs of Aviation and Aviation Safety Unit to prepare a proposal to the Aviation Safety Board clarifying the safety mandates and related responsibilities for the respected units. The agreed updates will be reflected in the Aviation Safety Manual and the Aviation Transport Manual.

Target implementation date: 31 March 2014

Risk Assessment

High-risk

Observation 3 Enterprise risk management: Risk management in WFP's aviation services

32. WFP's Enterprise Risk Management policy (WFP/EB.2/2005/5-E/1) sets out to "embed a conscious, systematic and effective approach to managing risks and opportunities throughout WFP that adds value to decision-making and prioritisation and is clearly linked to achieving objectives and results in order to develop a more resilient organization fit to meet future challenges".

33. The risk registers for Operation Services Logistics and for the Country Offices we observed did not contain aviation-specific risks. There was no aviation risk register or work plan for 2012, and risk ownership was not identified. Risks had been assessed to some extent at the UNHAS operational level. For example one UNHAS operation reviewed had performed a risk assessment covering various categories such as natural, technical and human risks. It assessed the threat source, consequence, risk value and risk-control options. However it did not identify the risk owner and it was not clear whether or how this fed into the Country Office's risk assessment.

34. This audit identified areas where improvement was needed (as described in this report) which would probably have been identified earlier had there been risk management and effective work planning for the aviation services. In the review of WFP's Internal Control Framework, carried out in 2012, the Office of Internal Audit recommended that the Business Innovation and Support Office, in consultation with headquarters divisions, should identify any divisional units that would require an individual unit-level assurance statement, to ensure the level of assurance obtained properly reflects the relevant risks and controls of the constituent units. While management accepted the risk at the time, and decided to remain with the previous level of assurance, this report indicates that there may be merit in applying the internal control framework assurance process down to the level of WFP's aviation services.

35. In most WFP operations where UNHAS is active, the Country Offices rely on UNHAS for medical evacuation and staff evacuations. The risk of UNHAS's not achieving the objectives could therefore be critical to a particular Country Office, and merit proper risk management both at headquarters and at the Country Office level.

Recommendation 3

Underlying cause of observation:

Guidelines: Aviation-specific risk management had not been formally embedded in corporate Enterprise Risk Management, and WFP's internal control framework and management assurance processes resided at the more generic level of the Logistics Division, not at the specific level of the Aviation Service.

Implication:

Country Offices and aviation transport services may not cooperate where they should or could in mitigating risks that affect their performance or ability to achieve objectives.

Policies, procedures and requirements:

WFP's Enterprise Risk Management policy (WFP/EB.2/2005/5-E/1), and WFP's internal control framework and assurance statement processes.

Recommendation: The Aviation Service should put in place a system for management of aviation-

specific risks with processes for elevation where needed, and discuss with the Business Innovation and Support Office and the Logistics Division whether the Aviation Service should be separately analysed in WFP's internal control framework and assurance processes.

Agreed Management Actions: The Aviation Service agreed with the recommendation and will:

- Institute a system for management of aviation specific risks with relevant processes for elevation, where needed; and
- in consultation with the Business Innovation and Support Office and the Logistics Division, agree whether or not the Aviation Service should be separately analysed in WFP's internal control framework and assurance processes.

Target implementation date: 31 December 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 COSO⁷ 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).

⁷ 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.⁸

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.

⁸ 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

DED	Deputy Executive Director
ED	Executive Director
ERP	Enterprise Resource Planning system
HR	Human Resources
ICAO	International Civil Aviation Organisation
IS/IT	Information Systems/Information Technology
UN	United Nations
UNHAS	United Nations Humanitarian Air Services
WFP	World Food Programme