

The Syria Crisis: WFP Operations in Syria and Neighbouring Countries

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World Food Programme

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The Syria Crisis: Internal Audit of WFP Operations in Syria and Neighbouring Countries

I. Executive Summary

Introduction

1. As part of its annual work plan for 2013, the Office of Internal Audit conducted an audit of WFP Operations in Syria and the Neighbouring Countries ("Syria Operation"). In addition to the activities within Syria, the audit covered the operations in countries implementing the regional Emergency Operation (EMOP), namely Jordan, Lebanon, Turkey, Iraq and Egypt.
2. On 14 December 2012, the Syria Operation entered a new, more responsive phase. The Executive Director (ED) declared the operation a Level 3 Corporate Emergency in accordance with Office of the Executive Director (OED) Circular 2012/012, meaning that it required mobilization of WFP global response capabilities in support of the relevant Country Offices. The activation of the Level 3 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.
3. WFP's Direct Expenses in Syria and the Neighbouring Countries in 2012 amounted to US\$110 million, rising to US\$242 million in the first six months of 2013. This represents 2.9% and 12.8% of WFP's total Direct Expenses for the respective period¹. The total number of beneficiaries, estimated at 3.7 million at the start of 2013, is expected to escalate to 6.5 million (4 million within Syria and 2.5 million refugees) by the end of the year. During 2012, the average weekly budget for the Syria Operation was US\$3 million (US\$2 million Country Office, US\$1 million Regional)². This increased to US\$16 million (US\$8 million Country Office, US\$8 million Regional)³ for the first six months of this year and is set at a weekly average of US\$31 million (US\$12 million Country Office, US\$19 million Regional)⁴ for the second half of 2013.
4. The exceptional scale of the Syria Operation brings substantial reputation risks in non-delivery. WFP is the largest, most visible to Partners, Beneficiaries and Governments, and currently the most effective UN delivery agency or programme. It needs to communicate effectively the uncertainties, limitations and risks of delivery in a cash-poor and access-limited environment. This will protect the reputation of WFP in the international humanitarian environment and with its Partners where there is a foreseen limitation on funding and so delivery of commodities. The audit noted the use of the cash and vouchers (C&V) delivery scheme as the main delivery mechanism in Turkey, Lebanon, Egypt and in Jordan. This places WFP in a leading position in terms of C&V delivery and should be better supported by headquarters as an effective means of delivery.
5. The audit looked at the activities from 1 January 2012 to 30 April 2013 and at subsequent events up to June 2013. The audit included field visits in Jordan and Lebanon, and a review of related corporate processes with impact across WFP. The Office of Internal Audit remotely reviewed all aspects of processes related to the country Syria Operation identified in its audit risk assessment, with a follow up in-country audit planned for early 2014.

¹ WFP Financial Systems and Processes Support Branch, Resource Management and Accountability Department.

² 2012 approved budget in WFP ERP system.

³ WFP REC Senior Management Reports.

⁴ WFP Weekly Syria Requirements and Shortfalls Report.

6. 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.

7. The unprecedented scale of the operation, its maturity and the evolving nature of the situation provided a challenge to the audit. The Office of Internal Audit believes that the approach used together with the cooperation shown on the part of the auditee ensured an effective audit that identified and addressed all the critical risks.

Audit Conclusions

8. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**⁵. Conclusions by internal control components are summarized in Table 1:

Table 1: Summary of conclusions by Internal Control Components⁶

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

Key Results of the Audit

Positive practices and initiatives

9. A number of positive practices and initiatives were noted. The major innovations for the Syria Operation include: (i) a new model of governance structure over WFP's delivery of the Level 3 emergency that was robust and adapted to the dynamic context of the evolving situation in Syria and the surrounding countries; (ii) the creation of a decentralised empowered Regional Emergency Coordination Office (RECO) based in Amman with the relevant and defined delegated authorities. These have paid dividends in terms of enhanced delivery and Funding and Cooperating Partnership, and have served to strengthen WFP's response in emergencies.

Audit recommendations

10. The audit report contains three high-risk and 18 medium-risk recommendations. The number of recommendations reflects the wide scope of the audit. The respective audit observations were shared with RECO management at the end of the field visit. The Office of Internal Audit is pleased to note that RECO took immediate steps to address matters and has reported that eleven recommendations have now been implemented. The high risk observations arising from the audit were:

11. **Strategy for emergency preparedness and response:** The strategic objective of the RECO is to support the timely and effective delivery of assistance to beneficiaries in Syria and

⁵ See Annex A for definitions of audit terms.

⁶ See Annex A for definition of WFP's Internal Control Framework and Components.

neighbouring countries. At the time of the audit, WFP's response strategy could be found in a number of different documents and initiatives, including at an inter-agency level, the Syria Humanitarian Assistance Response Plan (SHARP) and the Syria Regional Refugee Response Plan (RRP). However there was not one single document in which the strategy was housed. We recommended that the RECO takes steps to devise a single document that encapsulates all elements of the RECO's regional emergency response strategy. The report should explore the different directions that the Crisis may take and provide attendant actions.

12. Delegated authority and management oversight: The Delegation of Authority for the Level 3 Emergency of 8 March 2013 was not implemented in two of the five countries involved and the RECO did not have access to the monthly financial monitoring tools of three of the countries. While country level financial and fiduciary monitoring was implemented, the benefits of an enhanced accountability environment were not delivered. We recommended that the Corporate Response Director take immediate steps to ensure that the provisions of the Executive Director's Decision Memo on the Delegations of Authority for the Regional Emergency Coordinator are fully complied with and review the location to which the monthly financial monitoring tools should be submitted.

13. Programme monitoring and evaluation: While steps were in hand to implement an improved regional monitoring and evaluation system, this was not yet fully operational. There were inconsistencies in the initial tools used for monitoring and evaluation and sampling criteria needed to be established to ensure that monitoring covered all locations, including those that could not be physically accessed. We recommended that the RECO should define a timeline for implementing the harmonized regional monitoring and evaluation system across the sub-region that will provide a uniform and comprehensive means of analysing and reporting the results of programme activities.

Management response

14. Management accepted all the recommendations. Eleven recommendations have been implemented and work is in progress to implement the others.

15. 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

16. The Syrian Crisis between forces loyal to the Syrian Ba'ath Party government and those seeking to oust it began on 15 March 2011 with popular demonstrations that grew nationwide by April 2011. Due to the escalation of the Crisis, the Syrian population began fleeing to neighbouring countries.

WFP Operations in Syria and Neighbouring Countries

17. WFP started its operations in Syria in 2007. With the escalation of the Crisis, the scale and complexity of the Syria Operation became unprecedented. At the start of 2013, it was estimated that there were 2.5 million vulnerable hungry people within Syria and another million in the region being fed every day.

18. WFP organised its response structure around an Emergency Coordinator covering the regional refugee response for four countries (Jordan, Lebanon, Turkey, and Iraq), based in Amman with support provided by the Iraq backup Country Office (CO) and the Syria CO, reporting directly to the Regional Bureau in Cairo. In December 2012, the Syria Operation entered a new phase when it was declared a Level 3 Corporate Emergency in accordance with the provisions of Office of the Executive Director (OED) Circular 2012/012 of 3 October 2012, meaning that it required mobilization of WFP global response capabilities in support of the relevant COs⁷. This was activated on 15 January 2013 for a period of three months, renewed in March and June 2013.

19. 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. Egypt was included within the regional Emergency Operation (EMOP). On 13 March, the Executive Director approved a three-month extension. This was extended for a further three months in June 2013.

20. The overall conclusion from the audit was that the activation of the Level 3 Corporate Emergency and the setting up of the decentralised and empowered RECO in Amman has paid dividends in terms of enhanced delivery and Funding and Cooperating Partnership, and have served to strengthen WFP's response in emergencies.

21. During the audit period, WFP had five active projects with a total budget of US\$1.485 billion. Two of these, Emergency Operation 200433 and Special Operation 200410, with latest budgets of US\$49 million and US\$4 million, ended in September and December 2012 respectively. During our audit, the following projects, with a targeted end-date of 31 December 2013, were active:

- An Emergency Operation (200339) at the country level that started in November 2011 with a budget of US\$2 million and an initial period of thirteen months. This was revised to US\$525 million.
- A Regional Emergency Operation (200433) that started in July 2012 with a budget of US\$24 million for an initial period of six months. The budget was increased to US\$510 million.
- A Special Operation (200477) to support UN cluster activities in Telecommunications and Logistics. This started in July 2012 with a budget of US\$7 million for an initial period of six months. The budget was increased to US\$16 million.

⁷ Office of the Executive Director (OED) Circular 2012/012 of 3 October 2012.

22. WFP's Direct Expenses in Syria and the Neighbouring Countries in 2012 amounted to US\$110 million, rising to US\$242 million for the first six months of 2013 and representing 2.9% and 12.8% of WFP's total Direct Expenses for the respective periods⁸.

23. At the time of the audit, the Crisis was continuing and WFP expected that it would need to scale up its activities before the end of 2013. The total number of beneficiaries, estimated at 3.7 million at the start of the year, was expected to escalate to 6.5 million (4 million within Syria and 2.5 million refugees) by the end of 2013. During 2012, the average weekly budget for the Syria Operation was US\$3 million (US\$2 million Country Office, US\$1 million Regional)⁹. This increased to US\$16 million (US\$8 million Country Office, US\$8 million Regional)¹⁰ for the first six months of this year and is set at a weekly average of US\$31 million (US\$12 million Country Office, US\$19 million Regional)¹¹ for the second half of 2013.

24. WFP's programme is delivering in six countries, including Syria. It is providing food delivery, a cash and vouchers delivery scheme and other support services.

Objective and scope of the audit

25. 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, 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.

26. The detailed risk assessment performed at the audit planning phase took into consideration the uncertainty of the situation with the risk of escalation and the further involvement of neighbouring countries. It recognized that despite the size and complexity of the operation and the enormous difficulties in the operating environment, there was a public expectation for WFP to deliver.

27. 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.

28. The audit scope covered WFP's operations in Syria and Neighbouring Countries in the context of the regional response, for the period from 1 January 2012 to 30 April 2013. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork, which took place from 27 May to 20 June 2013, included visits to various locations in Jordan and Lebanon. The Office of Internal Audit remotely reviewed all aspects of processes related to the country Syria Operation identified in its audit risk assessment, with a follow up in-country audit planned for early 2014.

⁸ WFP Financial Systems and Processes Support Branch, Resource Management and Accountability Department.

⁹ 2012 approved budget in WFP ERP system.

¹⁰ WFP REC Senior Management Reports.

¹¹ WFP Weekly Syria Requirements and Shortfalls Report.

III. Results of the audit

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

Table 2: Positive practices and initiatives

1. Internal environment

- Management approach based upon '*Best Practices*' and '*Lessons Learned*' from previous Emergencies allowed for lessons learning to be delivered.
 - Set-up of appropriate empowered and decentralised good governance structures.
 - Framework of accountability and related delegations of authority circulated through several Executive Directives.
 - Terms of Reference for the Regional Emergency Coordinator and all Emergency Coordinators reporting to the REC.
 - Decision Memos to ensure key responsibilities and accountabilities well communicated.
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2. Risk assessment

- The Office of the REC reported directly to the Corporate Response Director in HQ.
 - An REC at the director level supported by two deputies at the D1 level, and an office that included 50 international staff and 23 national staff.
 - Early establishment of a Compliance Unit covering all COs within REC, producing 383 compliance recommendations practically all implemented.
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3. Control activities

- Positive feedback from Funding and Cooperating Partners.
 - Establishment and use of Long-Term Agreements for food, goods and service contracts.
 - Delivery of several training courses throughout the REC region on areas such as basic WINGS processes, HR, travel management, resource management and finance.
-

4. Information and communication

- Streamlining and improvement of processes to produce resource management information used for internal management communications (e.g. weekly *SITREP* and *Supply Chain Working Group*) and for senior management decision-making and presentations to donors.
 - Two Standard Operating Procedures covering IT resources that were developed and issued soon after the REC was set up.
 - Good coordination between the IT function in Amman and the Regional IT function in Cairo.
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5. Monitoring

- Reasonable monitoring of WFP activities in the region despite insecurity and access problems.
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30. 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 – in the REC Office and at the corporate level – as follows:

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

Internal Control Component/ Business Process	Risk (REC Office)	Risk (Corporate)
1. Internal environment		
Internal environment and risk management	High	High
2. Risk assessment		
Emergency preparedness and response	Medium	Medium
3. Control activities		
Finance and accounting	Low	Low
Programme management	Medium	Medium
Transport and logistics	Medium	Medium
Commodity management	Medium	Medium
Procurement	Medium	Medium
Human resources	Low	Low
Property and equipment	Low	Low
Administration and travel	Low	Low
Security	Medium	Low
Resource mobilization and donors	Medium	Medium
4. Information and communication		
Information and communications technology	Low	Low
Special Operations (Logistics and Telecoms)	Low	Low
5. Monitoring		
Monitoring activities	High	Medium

31. Based on the results of the audit, the Office of Internal audit has come to an overall conclusion of **partially satisfactory**¹².

32. A total of three high risk recommendations were made, detailed in Section IV of this report. Eighteen medium risk recommendations were made. Tables 4 and 5 below present the high and medium risk recommendations respectively. The number of recommendations reflects the wide scope of the audit. The respective audit observations were shared with RECO management at the end of the field visit.

Management response

33. Management accepted all the recommendations. Eleven recommendations have been implemented and work is in progress to implement the others.

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

¹² See Annex A for definitions of audit terms.

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

Observation	Recommendation	Risk categories ¹³	Underlying cause category	Owner	Due date
Internal Environment					
1 Emergency preparedness and response: Strategy for emergency preparedness and response - The strategic objective of the Regional Emergency Coordination Office is to support the timely and effective delivery of assistance to beneficiaries in Syria and neighbouring countries. At the time of the audit, WFP's response strategy could be found in a number of different documents and initiatives, including at an inter-agency level, the Syria Humanitarian Assistance Response Plan (SHARP) and the Syria Regional Refugee Response Plan (RRP). However there was not one single document in which the strategy was housed.	To ensure that the specific and regional EMOP strategic document includes all elements of WFP response strategy.	Strategic Securing Resources Programmatic	Guidelines	Regional Emergency Coordination Office	31 December 2013
2 Delegated Authority: Delegated authority and management oversight - The Delegation of Authority for the Level 3 Emergency of 8 March 2013 was not implemented in two of the five countries involved and the REC did not have access to the monthly financial monitoring tools of three of the countries.	Take immediate steps to ensure that the provisions of the ED Decision Memo on the Delegations of Authority for the Regional Emergency Coordinator are fully complied with and review the location to which the monthly financial monitoring tools should be submitted.	Compliance Stewardship Institutional	Guidelines	Corporate Response Director	Implemented

¹³ See Annex A for definition of audit terms.

Observation	Recommendation	Risk categories ¹³	Underlying cause category	Owner	Due date
Monitoring					
3 Programme monitoring and evaluation: Monitoring and evaluation system; coverage – The audit noted inconsistencies in the initial tools used for monitoring and evaluation, and an improved regional M&E system that was not yet fully operational. An operational monitoring plan was not yet in place and sampling criteria needed to be established to ensure that monitoring covered all locations.	Define a timeline for implementing the harmonized regional monitoring and evaluation system across the sub-region that will provide a uniform and comprehensive means of analysing and reporting the results of programme activities; implement an operational monitoring plan together with sampling criteria to cover all locations, including those that cannot be physically accessed.	Operational Operational efficiency Programmatic	Resources	Regional Emergency Coordination Office	31 December 2013

Table 5: Medium risk recommendations

Observation	Recommendation	Risk categories ¹⁴	Underlying cause category	Owner	Due date
Internal Environment					
4	Organizational and reporting structure: Organizational and reporting structure for the Regional Emergency - The Syria Operation would have benefited from an evaluation of the initial structure, enabling management to streamline areas where there was over-capacity and to add resources, including experience and appropriate skills, to those that required better support.	Operational Stewardship Institutional	Guidance	Regional Emergency Coordination Office	Implemented
5	Delegated authority: Delegation of authority for vouchers and cash transfers - Audit sample showed that REC approved Purchase Orders worth US\$44M for Cooperating Partners to cover for voucher and cash transfers. No specific approval authority has been defined for such transfers.	Compliance Stewardship Institutional	Guidelines	Operations Management Department	31 December 2013
6	IS/IT Plan & Organise: Governance over ICT for the Regional Emergency - The RECO ICT governance structure was not properly defined and there was no common forum where senior management could systematically consider strategic decisions that concerned ICT matters (for example: implementation of communication links and decisions on whether to introduce or outsource ICT services); and monitor compliance with ICT policies and procedures.	Strategic Stewardship Institutional	Guidance	Regional Emergency Coordination Office	Implemented

¹⁴ See Annex A for definition of audit terms.

Observation	Recommendation	Risk categories ¹⁴	Underlying cause category	Owner	Due date
Risk Assessment					
7	Enterprise risk management: Business continuity plan - The RECO had created a risk register and implemented the Emergency Preparedness and Response Package (EPRP) including minimum preparedness and response actions. However it did not have a business continuity plan.	Operational Internal business processes Institutional	Guidelines	Regional Emergency Coordination Office	31 December 2013
8	Emergency preparedness and response: Regional strategy to assess the capacity and availability of the markets – There was a need for a holistic review of the emerging regional market capacity, taking into account factors that may impact on the supply chain; for example: geographical location, market demand and political situation.	Strategic Operational efficiency Programmatic	Guidelines	Regional Emergency Coordination Office	Implemented
Control Activities					
9	Programme management: Identification, verification and prioritisation of beneficiary numbers - UNHCR's lists of beneficiaries required frequent updating and a more robust level of verification such as one based on biometrics was required to ensure proper targeting of distributions and avoid the risk of over-planning and the over-distribution of commodities and vouchers.	Strategic Operational efficiency Programmatic	Resources	Regional Emergency Coordination Office	Implemented
10	Programme management: Implementation of the voucher programme – An inconsistent implementation of the voucher programme for the regional EMOP and better controls over the selection of retailers, voucher redemption and encashment.	Strategic Operational efficiency Programmatic	Guidelines	Regional Emergency Coordination Office	31 December 2013

Observation	Recommendation	Risk categories ¹⁴	Underlying cause category	Owner	Due date
11 Programme management: Management of Cooperating Partners - The immediate need to scale up operations to respond to the Syrian Crises and various restrictions put a limit on the choice of Cooperating Partners.	Establish terms of reference for Programme Review Committees, including criteria and guidelines in order to assess Partners' operational and financial capacity as well as geographical presence, and carry out a comprehensive review before selecting a partner.	Strategic Operational efficiency Programmatic	Guidance	Regional Emergency Coordination Office	31 December 2013
12 Transport and Logistics: Fuel management in Syria - The Standard Operating Procedures on the storage of fuel imported by WFP into Syria and the application of a cost-recovery rate were unclear. Tracking mechanisms were not available when WFP was unable to access its storage facilities.	Review the process for managing fuel provision, taking into consideration resource constraints, and put in place appropriate cost recovery and controls.	Operational Internal business processes Institutional	Guidelines	Syria Country Office	31 December 2013
13 Transport and Logistics: Transport sourcing in Syria - Transport sourcing in Syria called for better information to allow the Local Transport Committee to broaden the opportunity for selecting transporters and to reach more zones within the country.	Review and update the process for selecting transporters and identify those who will undertake zonal or regional transport.	Operational Operational efficiency Institutional	Guidelines	Syria Country Office	Implemented
14 Transport and Logistics: Procurement of transport and warehousing services - Tender calls to secure transport services were not issued sufficiently in advance to allow for a more focused competitive process; there was a significant backlog of invoices from transporters in Syria and Lebanon (totalling US\$4.7million as at May 2013) to be processed; and in one situation, warehouse space had been rented for two months without being utilized.	Plan in advance for the procurement of transport services, improve the process of reconciliation and payments to transporters and lease warehouse space on a need-to-store basis.	Operational Operational efficiency Institutional	Compliance	Regional Emergency Coordination Office	Implemented

Observation	Recommendation	Risk categories ¹⁴	Underlying cause category	Owner	Due date
15 Commodity Management: Opportunities for improvement in the recording of COMPAS data - The audit noted opportunities to improve the completeness and accuracy of COMPAS data relative to the Lebanon, Jordan and Syria offices. Some staff was not properly trained in using the COMPAS system.	Train staff in the use of COMPAS and seek ways to ensure the completeness, accuracy and currency of the data, for example by improving the reconciliation to inventory counts.	Operational Internal business processes Programmatic	Compliance	Regional Emergency Coordination Office	Implemented
16 Procurement: Need for improvement in the procurement process in Amman office - Units operating in Amman (RECO, Jordan and Iraq) needed to develop a longer-term procurement plan covering various aspects of the procurement process for food and non-food items and improve controls within the process.	Implement an actionable plan to strengthen the procurement process.	Strategic Securing resources Programmatic	Compliance	Regional Emergency Coordination Office	31 December 2013
17 Human Resources: Payroll review - Payroll for national staff was not reviewed to a detail that would have identified anomalies in recruitment noted by the audit.	Rectify anomalies and implement analytical review controls over the payroll of national staff.	Compliance Internal business processes Institutional	Compliance	Regional Emergency Coordination Office	Implemented
18 Property and equipment: Controls over the recording of assets - Assets were not recorded in the Assessment Management Database or capitalized in the corporate ERP system.	Allocate resources and provide guidance for the recording of assets in AMD and their reconciliation to the corporate ERP system.	Reporting Internal business processes Institutional	Compliance	Regional Emergency Coordination Office	31 December 2013
19 Security: Opportunities for improvement in security management - The management of security for the regional emergency required some improvement to comply with minimum Operating Security Standards.	Enhance and streamline the management of security matters in the region by including assessments of security staffing requirements, follow up on security assessment recommendations, and update security plans and MOSS.	Compliance Internal business processes Institutional	Compliance	Regional Emergency Coordination Office	Implemented

Observation	Recommendation	Risk categories ¹⁴	Underlying cause category	Owner	Due date
20 Mobilise Resources: Resourcing for regional and country-specific emergency operations - Due to a sharp increase in funding requirements, the absence of a coordinated and structured approach to fund-raising could lead to WFP not achieving its objectives and to reputational risk.	Implement a structured approach to fund-raising, including a strategy for each corporate player to resource funds. This should include the collation of information from headquarters, WFP offices in donor countries and the field.	Strategic Securing resources Programmatic	Resources	Regional Emergency Coordination Office	Implemented
21 IS/IT Deliver and Support: IT Continuity Plans - A sufficiently detailed plan documenting the recovery and re-setting of IT systems and facilities was not in place; backup plan and procedures required improvement.	Draw up and test a comprehensive IT disaster recovery plan for restoring ICT systems and applications within a timeframe that ensures the minimum disruption to operations; update the data and systems back-up plan and seek agreement with other UN agencies in Amman for the offsite storage of back-up media.	Compliance Internal business processes Institutional	Best practice	Regional Emergency Coordination Office	31 December 2013

IV. Detailed Assessment

Internal Environment

High Risk

Observation 1 Emergency preparedness and response: Absence of up to date approved strategic document for the Syria Operation

35. The strategic objective of the Regional Emergency Coordination Office (RECO) is to ensure the timely and effective delivery of assistance to beneficiaries in Syria and surrounding countries. The Syria Operation is highly successful. This creates expectations of future delivery. At the time of the audit, WFP's response strategy could be found in a number of different documents and initiatives, including at an inter-agency level, the Syria Humanitarian Assistance Response Plan (SHARP) and the Syria Regional Refugee Response Plan (RRP). However there was not one single document in which the strategy was housed.

36. Two of the key challenges to the Syria Operation are the uncertainty of whether funding targets would be achieved, and the ability to accurately predict the future roll-out of the Crisis and consequential response. Other major challenges include capacity issues in terms of warehouses and the availability of technically competent local staff. These issues, which are elaborated under specific observations in this report, highlight the need for a document that sets out a strategic direction covering the medium and longer term, rather than planning for the duration of an existing Level 3 corporate emergency or the immediate aftermath.

37. WFP was the party that stood to lose the most in terms of reputation should things not work out, and as such, it was in the interest of the RECO and of WFP that a comprehensive strategic document was developed, taking into consideration the various ways that the Crisis could develop. In addition to providing the appropriate solution to the relative scenarios, for example in terms of resourcing and structures, the strategy should seek to pre-empt the problems.

38. The strategic document should also address matters at the RECO operational level as well as take into consideration requirements of inter-agency, cooperating and funding partners. In the latter context it should promote measures that would improve information-sharing between the involved parties.

Recommendation 1

Underlying cause of observation:

Guidelines: WFP put in place an initial drive to focus on the immediate crisis and address immediate problems, while the evolution and potential escalation of the Crisis are unique.

Implication:

The operations in Syria together with the regional response were the largest undertaken by WFP. This was a high-profile task and there was a public expectation for WFP to deliver. The situation in Syria remained unpredictable with the risk of escalation and the further involvement of neighbouring countries. Without a comprehensive strategic document that took into consideration all the possible risks and scenarios, there was a serious risk that WFP may not reach its intended beneficiaries, resulting in suffering on the part of the beneficiaries and damage to WFP's reputation.

Policies, procedures and requirements:

ED Corporate Response decision memorandum (14 December 2012); Corporate Response Support Structure – Syria and Neighbouring Countries Terms of Reference (11 February 2013); various Notes For Record from the Syria Inter-Agency Task Force, and best practice for scenario-based strategy setting.

Recommendation: To ensure that the specific and regional EMOP strategic document includes all elements of WFP response strategy.

Agreed management actions: The Regional Emergency Coordination Office agreed with the recommendation and will draw up a document that captures all the elements of its regional emergency response strategy.

Target implementation date: 31 December 2013.

Internal Environment

High Risk

Observation 2 Delegated Authority: Delegated authority and management oversight

39. While the audit did not see evidence that implied risks of a fiduciary nature, it noted that the Delegation of Authority for the Level 3 Emergency of 8 March 2013 was not implemented in two of the five countries involved and the Regional Emergency Coordinator's Office (RECO) did not have access to the monthly financial monitoring tools of three of the countries.

40. Upon the escalation of the Syrian Crisis in mid-July 2012, the Cairo Regional Office started to grant or increase exceptional Delegation of Authority to various WFP senior officials so that the needs of the Country and Regional Emergency Operations could be met in an adequate and timely manner. For the Regional operation, the Delegation of Authority was necessary for the Heads of the newly set-up sub Offices in Lebanon and Turkey to enter into contractual arrangements with suppliers and partners, as well as approve disbursements on behalf of WFP so that WFP could continue to provide efficient voucher-based and in-kind food assistance.

41. In December 2012, after the declaration of the Level 3 Emergency and the setting up of the RECO, exceptional Delegation of Authority was granted to the Regional Emergency Coordinator (REC) in Amman to ensure effective operational and financial management of the regional emergency response to the Syrian crisis. This authority was further delegated through the Executive Director Decision Memo of 5 March 2013, approved 8 March 2013, which granted delegated authority as Country Director to the two Deputy Emergency Regional Coordinators in Amman, and, in the context of the regional emergency response, to the Country Office Emergency Coordinators in each of the five countries that formed part of the response, where appropriate. At the time of the audit, the latter delegated authority was implemented in Lebanon and Turkey. There was a small number of processes in Jordan for which the delegation had not been fully implemented. The Delegation of Authority had not been implemented in Iraq and Egypt despite several discussions.

42. Following the implementation of the Level 3 emergency, the Syria CO started submitting its Minimum Monthly Closure Package (MMCP) to the Regional Coordination Office for review. This management accountability line was endorsed by the Finance & Treasury Division. The Turkey and Lebanon Country Offices, who reported directly to the REC, started to submit their MMCP effective February 2013. This arrangement was also applied to the Financial Dashboard. The matter has not yet been cleared for the other three Country Offices through which the RECO managed the regional emergency project, namely Jordan, Iraq and Egypt. These offices also managed projects other than the Regional Emergency Operation, and had two accountability lines, with the Country Directors reporting to the Regional Director in Cairo, and the Emergency Coordinators reporting to the REC. The RECO argued that since it carried the highest business risk and consequent accountability, the MMCPs for these three COs should be reported to it for the duration of the regional emergency. The RECO brought this matter to the attention of the Finance & Treasury Division in early March but the matter had not been resolved at the time of the audit exit meeting.

Recommendation 2

Underlying cause of observation:	Guidelines: The ED's Decision Memorandum on Delegation of Authority of 5 March, approved on 8 March, did not provide for actions to be taken in the event that a party does not comply with its requirements. The policy to be followed in the case of two accountability lines was unclear.
Implication:	Non-implementation of approved special Delegation of Authority may result in an inefficient response to the needs of the emergency and non-compliance with WFP standard procedures and controls in critical processes such as procurement. The absence of streamlined financial oversight tools undermined WFP's monitoring controls.
Policies, procedures and requirements:	ED Circular ED2009/005 – Procurement Delegated Authority, various ED Decision Memoranda issued during the period 14 July 2012 to 18 April 2013, in particular ED Decision Memorandum of 5 March 2013, and subsequent updates.

Recommendation: The Corporate Response Director should take immediate steps to ensure that the provisions of the ED Decision Memo on the Delegations of Authority for the Regional Emergency Coordinator are fully complied with and request the Resource Management and Accountability Department to review the location to which the monthly financial monitoring tools should be submitted.

Agreed management actions: The Corporate Response Director agreed with the recommendation. The ED's Delegation of Authority of 8 March 2013 has been implemented in all Emergency Coordination Offices with designated officials appointed and assigned in Turkey, Lebanon, Egypt, Jordan and Iraq who are responsible and report directly to the Regional Emergency Coordinator in Amman, with the delegated authority to manage, implement and exercise oversight of all programmes and operations relating to the Syria Regional Response. All financial management tools are managed by Emergency Coordinators (ECs) in their respective countries with close oversight by the RECO thereby mitigating and minimizing financial risks. The REC Office in Amman continues to monitor all resources and expenditures in close consultations with ECs and Finance Officers in the respective countries.

Target implementation date: Implemented.

Monitoring

High Risk

Observation 3 **Programme Monitoring and Evaluation: Inconsistencies in the initial tools used for monitoring and evaluation, and an improved M&E system that was not yet fully operational**

43. At the onset of the emergency, the Country Offices used their locally developed monitoring checklists and databases. We noted inconsistencies in the contents of these monitoring tools and in the results that could be generated. To address the inconsistencies, the Regional Emergency Coordinator's Office hired a consultant to update the Monitoring & Evaluation plan, review the data collection tools, establish a reporting framework, ensure the upload of the monitoring data in the regional database and train CO staff in the use of the updated monitoring tools. The REC adopted an M&E database based on one used by the Palestine CO and adapted by the Cairo Regional Bureau to facilitate data storage and data analysis functions at the sub-regional level.

44. The updated M&E database and systems were not fully operational. The COs were in the transition stage of adopting the updated M&E database and checklists designed by the REC. For example, Jordan was only using the Post Distribution Monitoring checklists for the food and the

voucher programme and they were not yet inputting the results of their monitoring in the database. The Lebanon and Iraq COs were still using their old M&E database and checklists. These were not aligned with the updated sub-regional M&E system.

45. The audit noted that the RECO had developed a business case for the handheld/mobile M&E application system. The business case did not include a cost-benefit and risk-based analysis that highlighted the main benefits and challenges of the handled application monitoring system. It had not yet been finalized and approved since comments from the IT unit were outstanding.

46. Several functionalities were not part of the planned activities assumed by the M&E system managed by the RECO. These were: project cost analysis, tracking the submission of CP distribution reports, tracking of findings and recommendations from monitoring visits conducted, building of an interface with the corporate commodity tracking system, and training.

47. Selection of the beneficiaries and sites to be monitored or visited was not risk-based but on a random basis. The selection of sites to be visited for on-site monitoring activities, such as price monitoring and shop and distribution monitoring, needed to be performed in a systematic way to reduce the risk of duplication or gaps.

48. The Syria CO said that they were not able to collect most of the indicators in the regional M&E database and they were unable to input the results of their monitoring visits into the locally developed M&E database. Their monitoring questionnaire included questions on income sources, expenditure, food consumption and coping strategy but there was still a need to review the details of the questions and develop an on-site distribution monitoring toolkit. Monitoring results were manually analyzed and used to generate a monthly monitoring report that summarized activities across the country.

Recommendation 3

Underlying cause of observation:

Resources: The regional M&E database was not yet fully operational while the regionally developed set of M&E tools was not being effectively used in Syria due to security constraints and operational challenges.

Implication:

The delay by the COs in using an improved and common regional M&E system and database gave rise to the risk that the results of the monitoring would not be captured completely and accurately, properly analyzed and reported in a timely manner.

Policies, procedures and requirements:

Best practices in project management and monitoring.

Recommendation: The Regional Emergency Coordination Office should define a timeline for implementing the harmonized regional monitoring and evaluation system across the sub-region that will provide a uniform and comprehensive means of analysing and reporting the results of programme activities. It should implement an operational monitoring plan together with sampling criteria to cover all locations, including those that cannot be physically accessed.

Agreed management actions: The Regional Emergency Coordination Office agreed with the recommendation. A timeline for the implementation of the new M&E System has been established and agreed upon with the Country Offices. Jordan, Egypt and Turkey uploaded their revised set of tools to the database and began data collection and uploading in early July 2013. Iraq followed by mid-July and Lebanon by the time they transitioned to e-vouchers (in the course of July-August 2013). The M&E system will be fully implemented by the end of 2013 and a comprehensive review will be undertaken to improve it.

Target implementation date: 31 December 2013.

Annex A – Audit definitions

1. WFP’s Internal Control Framework (ICF)

A 1. WFP’s Internal Control Assurance Framework follows principles from the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO)¹⁵ Integrated Internal Control Framework, adapted to meet WFP’s operational environment and structure. The Framework was formally defined in 2011.

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

2. Risk categories

A 3. The Office of Internal Audit evaluates WFP’s internal controls, governance and risk management processes, in order to reach an annual and overall assurance on these processes in the following categories:

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

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

A 4. In order to facilitate linkages with WFP’s performance and risk management frameworks, the Office of Internal Audit maps assurance to the following two frameworks:

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

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

¹⁵ Committee of Sponsoring Organizations of the Treadway Commission.

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

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

3. Causes or sources of audit observations

A 5. The observations were categorized on the basis of causes or sources:

Table A.3: Categories of causes or sources

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

4. Risk categorisation of audit observations

A 6. The audit observations were categorised by impact or importance (high, medium or low risk) as shown in table A.4 below. Audit observations typically can be viewed on two levels: (1) observations specific to an office, unit or division, and (2) observations which may relate to a broader policy, process or corporate decision and may have broad impact.¹⁶

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

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

¹⁶ An audit observation of high risk to the audited entity may be of low risk for WFP as a whole; conversely, an observation of critical importance for WFP may have low impact for a specific entity, but globally be of high impact.

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

5. Recommendation tracking

A 8. The Office of Internal Audit tracks all medium and high risk recommendations. Implementation of recommendations will be verified through the Office of Internal Audit's system for monitoring the implementation of audit recommendations. The purpose of this monitoring system is to ensure that management actions have been effectively implemented within the agreed timeframe in order to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

6. Rating system

A 9. Internal control components and processes are rated according to their risk severity. These ratings are part of the system of evaluating the adequacy of WFP's risk management, control and governance processes. A rating of satisfactory, partially satisfactory, and unsatisfactory is reported in each audit, and these categories are defined as follows:

Table A.5: Rating system

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

Annex B – Acronyms

AMD	WFP’s Asset Management Database
CP	Cooperating partner
CO	Country Office
COMPAS	WFP’s global commodity tracking application
ED	WFP Executive Director
EMOP	Emergency Operation
IS/IT	Information Systems/Information Technology
M&E	Monitoring & Evaluation
MOSS	UN Minimum Operating Security Standards
OED	Office of the Executive Director
REC	Regional Emergency Coordinator
RECO	Regional Emergency Coordination Office
RRP	Syria Regional Refugee Response Plan
SHARP	Syria Humanitarian Assistance Response Plan
SITREP	Situation Report
SOP	Standard Operating Procedures
UN	United Nations
UNHCR	United Nations Refugee Agency
WINGS	WFP’s corporate ERP system
WFP	World Food Programme