

Internal Audit of WFP Operations in Senegal

Office of the Inspector General
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Internal Audit of WFP Operations in Senegal

I. Executive Summary

Introduction

1. As part of its annual work plan for 2012, the Office of Internal Audit conducted an audit of WFP Operations in Senegal. In 2012, the World Food Programme's (WFP) Direct Expenses in the country totalled US\$38.5 million¹, representing 0.9 percent of its total Direct Expenses for the year. The audit covered activities from 1 October 2011 to 30 September 2012, and included a field visit to the country office and a review of related corporate processes.
2. 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

3. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**². Conclusions are summarized in Table 1 by internal control components:

Table 1: Summary of conclusions by Internal Control Components³

Internal Control Component	Conclusion
1. Internal environment	Medium 
2. Risk assessment	Low 
3. Control activities	Medium 
4. Monitoring	Medium 

Key Results of the Audit

Positive practices and initiatives

4. A number of positive practices and initiatives were noted, including a healthy relationship with the host Government, close coordination and continued dialogue with the host Government and humanitarian agencies for a response to the Sahel drought crisis, effective sourcing of available food in regional and international markets to avoid a disruption of supply, coordination between

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

² See Annex A for definitions of audit terms.

³ See Annex A for definition of WFP's Internal Control Framework and Components.

the Programme Unit and the Logistics Unit in formulating logistics delivery plans and well-integrated consultations and dialogue with cooperating partners.

Audit recommendations

5. No high-risk recommendations arose from the audit. The audit report contains 10 medium-risk recommendations.

Management response

6. Management has agreed with all the recommendations. Five of the recommendations have been implemented and work is in progress on the remaining five.

7. 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

Senegal

8. Senegal is located in West Africa, on the Atlantic coast. The country borders Gambia, Mauritania, Mali, Guinea and Guinea-Bissau. The Senegalese landscape consists mainly of the rolling sandy plains of the western Sahel, which rise to foothills in the south-east. The northern border of the country is formed by the Senegal River; other rivers in the country include the Gambia and Casamance rivers. The country has a tropical climate with two seasons, the dry and the rainy. The United Nations Development Programme's (UNDP) 2011 Human Development Index ranked Senegal 155th within low-development countries. Senegal's economy is predominantly rural, with limited natural resources.

WFP Operations in Senegal

9. In 2012, the WFP Country Office in Senegal participated in the regional emergency operation in response to the hunger crises caused by the 2011 droughts in the Sahel belt in the West African region and was managing two projects:

- A Protracted Relief and Recovery Operation (200138) for the period 1 January 2012 to 31 December 2013, with a budget of US\$73 million for post-conflict rehabilitation and targeted food assistance in the Casamance Naturelle. The Operation was later expanded to respond to the 2012 Sahel Crises.
- A five-year Country Programme (200249) commencing on 1 January 2012 with a budget of US\$74 million. This programme included activities to improve the food-security and nutrition of targeted households and individuals in addition to school feeding.

Objective and scope of the audit

10. 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 Senegal, 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.

11. 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 an approved planning memorandum and took into consideration a risk-assessment exercise carried out prior to the audit.

12. The scope of the audit covered WFP's operations in Senegal for the period 1 October 2011 to 30 September 2012. Where necessary, transactions and events pertaining to other periods were reviewed. The audit, which took place from 22 November to 5 December 2012, included a field visit to the Country Office.

III. Results of the audit

13. In performing the audit, the Office of Internal Audit noted the following positive practices and initiatives:

Table 2: Positive practices and initiatives

1. Internal environment

-
- Good communication and coordination with the host Government by the Country Office, especially during the response to the Sahel Crisis.
 - A comprehensive Regional Response Framework to the Sahel emergency.
 - Strong national staff capacity.
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2. Risk assessment

-
- Well-integrated work planning and risk management.
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3. Control activities

-
- The Country Office supported by the Regional Bureau took critical and timely action to source food from international and regional markets. This reduced the risk of significant disruption in the supply of food.
 - WFP was the lead UN agency in providing technical support to the Government and Non-governmental organisations in various assessments, providing methodology, training, data collection and analysis, and reporting for the response.
 - Joint assessments led by WFP and the host Government in November 2011 and February 2012 and the resulting response plan facilitated a quick response.
 - Consultations and dialogue with cooperating partners was well-integrated into the programme implementation.
 - Logistics was well coordinated with Programme for the response.
-

14. 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 (Country Office)
1. Internal environment	
Corporate organizational and reporting structure	Medium
Strategic planning and performance accountability	Low
Assurance statement on internal controls	Low
2. Risk assessment	
Enterprise risk management	Low
3. Control activities	
Finance and accounting	Medium
Programme management	Medium
Transport and logistics	Medium
Commodity management	Medium
Procurement	Medium
4. Monitoring	
Programme monitoring and evaluation	Medium

15. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**⁴.

16. Ten medium-risk recommendations were made. These are presented in Table 4.

Management response

17. Management has agreed with all recommendations. Five of the recommendations have been implemented and work is in progress on the remaining five.

⁴ See Annex A for definitions of audit terms.

Table 4: Medium-risk recommendations

Observation	Recommendation	Risk categories⁵	Underlying cause category	Owner	Due date
Internal Environment					
1 Corporate organizational and reporting structure: Assurance Statement and Staffing and Structure Review - The corporate tools were not applied when preparing the annual Assurance Statement on Internal Controls for 2011, reducing the assurance obtained from the process owners. The Country Office had not performed a Staffing and Structure Review to optimize its size and structure. Composition of three oversight committees was not updated in a timely manner.	Improve the consultation process for completing the Assurance Statement and its documentation, expedite efforts to undertake a Staffing and Structure Review exercise, and ensure that the composition of oversight committees is updated in a timely manner.	Compliance Internal business processes Institutional	Compliance	Senegal Country Office	Implemented

⁵ See Annex A for definition of audit terms.

Observation	Recommendation	Risk categories⁵	Underlying cause category	Owner	Due date
Control activities					
2 Finance and accounting: Resource transfers – Unspent funds from a previous project had not been transferred and risked being lost. There were opportunities for improving financial reporting and oversight; for example, through better monitoring and reporting of vendor receivables and payables, and the disclosure of commodities not accounted for by the cooperating partners.	Expedite the follow-up with the Resource Management and Accountability Department for the transfer of the funds, expedite efforts to clear long outstanding receivables and payables, separate security deposits from normal receivables when reporting and ensure that the disclosure requirements for commodities held by cooperating partners are diligently met.	Operational Internal business processes Programmatic	Guidance	Senegal Country Office	Implemented
3 Programme management: Programme implementation – There were opportunities for improvement in the management of programme implementation, including: formation of a Project Review Committee, formal approval of food distribution plans, standard documentation to support the dispatch of commodities, setting up mechanisms for beneficiary compliance, written criteria for the selection of cooperating partners and documenting the monitoring and review of beneficiaries' selection by cooperating partners.	Strengthen the transparency and control over programme implementation by setting up a Project Review Committee, implementing beneficiary complaint mechanisms, improving documentation on monitoring and review of beneficiary selection by cooperating partners and using standard documentation for food distribution plans and the dispatch of commodities.	Operational Operational efficiency Programmatic	Compliance	Senegal Country Office	Implemented

Observation	Recommendation	Risk categories⁵	Underlying cause category	Owner	Due date
4 Programme management: Cash and Voucher (C&V) activities – There was a lack of clarity in the roles and responsibilities of the various units involved in the design and implementation of the C&V activity. Controls needed to be improved in various areas, including: monitoring of variances between planned and actual beneficiaries and distributions, reconciliation of payments to financial partners with payable amounts based on the number of beneficiaries assisted, and monitoring of undistributed vouchers and the supporting documentation for such payments by the Finance Unit.	Define the roles of the units involved in the design and implementation of the Cash and Voucher activity and strengthen the controls in its implementation.	Operational Operational efficiency Programmatic	Guidance	Senegal Country Office	31 January 2014
5 Programme management: Response to the 2012 Sahel Crises - Twice the planned beneficiaries were assisted through relief rather than recovery modalities. This meant that the increase in the number of beneficiaries came at the cost of reduced food rations, mainly due to interruptions in pipeline for commodities.	Identify and document lessons learned from planning and implementing the response to the Sahel crisis.	Strategic Operational efficiency Programmatic	Guidance	Senegal Country Office	Implemented

Observation	Recommendation	Risk categories⁵	Underlying cause category	Owner	Due date
6 Transport and Logistics: Transport contracting – Inadequate care was taken to ensure that all eligible transporters were invited to tender. The audit noted transporters operating outside their contracted time periods.	Strengthen controls to ensure that all qualified transporters are invited to tender, operations take place within the contract period and transporters' details are consistently recorded across all the relevant corporate systems.	Compliance Internal business processes Institutional	Compliance	Senegal Country Office	Implemented
7 Transport and Logistics: Supply, sourcing and registration of transporters – Key improvements were needed in the process of identification and selection of transporters, including: documentation of the process used to identify and register potential transporters, retention of key background documents and timely updating of the Local Transport Committee composition.	Document and formalise the process used to identify potential transporters, ensure the completeness and accuracy of the transport roster, and ensure timely updating of the Local Transport Committee composition.	Compliance Internal business processes Institutional	Compliance	Senegal Country Office	30 November 2013

Observation	Recommendation	Risk categories⁵	Underlying cause category	Owner	Due date
8 Commodity management: The Memorandum of Understanding on warehouse contracting with the Government agency was missing key clauses on liability for commodity losses and retention of WFP's control and ownership over stored commodities. The tracking of commodity movements showed weaknesses, such as late follow-up of unconfirmed receipts and a backlog of data to be recorded in WFP's commodity-tracking application (COMPAS).	Revise the Memorandum of Understanding to include all relevant clauses, strengthen the controls on commodity management and tracking and seek assistance from the Dakar Regional Bureau and the Logistics Division in Headquarters to address the problems related to COMPAS.	Operational Internal business processes Institutional	Guidance	Senegal Country Office	31 January 2014
9 Procurement: Food suppliers roster and procurement staff - The food suppliers' roster was not updated in line with corporate requirements. The position of Food Procurement Officer was vacant.	Ensure that the food suppliers' roster is maintained in line with corporate requirements and expedite the recruitment of a Food Procurement Officer.	Compliance Internal business processes Institutional	Compliance	Senegal Country Office	31 December 2013
Monitoring					

Observation	Recommendation	Risk categories⁵	Underlying cause category	Owner	Due date
10 Programme monitoring and evaluation: Design and implementation – The monitoring and evaluation system was in evolution and needed some improvements, e.g. The system in use lacked features for identifying outstanding distribution reports and assisting in monitoring the requirements in the field level agreements with cooperating partners.	Expedite efforts to implement a monitoring and evaluation system and strengthen the tracking mechanism for its findings and the reports of cooperating partners.	Operational Operational efficiency Programmatic	Resources	Senegal Country Office	28 February 2014

Annex A – Definition of Audit Terms

1. WFP's Internal Control Framework (ICF)

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

A 2. WFP has defined internal control as a process designed to provide reasonable assurance regarding the achievement of objectives relating to (a) effectiveness and efficiency of operations; (b) reliability of reporting; and (c) compliance with WFP rules and regulations. WFP 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 frameworks⁶ 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).

⁶ Committee of Sponsoring Organizations of the Treadway Commission.

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

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

3. Causes or sources of audit observations

A 5. The observations were broken down into categories based on causes or sources:

Table A.3: Categories of causes or sources

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

4. Risk categorization of audit observations

A 6. 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.⁷

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 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 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.

⁷ 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.

6. Rating system

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

Table A.5: Rating system

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

Annex B – Acronyms

C&V	Cash & Voucher
COMPAS	WFP's global commodity-tracking application
IS/IT	Information Systems/Information Technology
M&E	Monitoring and Evaluation
PRRO	Protracted Relief and Recovery Operation
UN	United Nations
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
WFP	World Food Programme