Internal Audit of WFP Operations in the Dakar Regional Bureau

Office of the Inspector General
Internal Audit Report AR/13/11

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Contents

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I. Executive Summary

Introduction

1.   As part of its annual work plan for 2012, the Office of Internal Audit conducted an audit of WFP Operations in the Dakar Regional Bureau. The Bureau oversees WFP operations in 19 countries within the region. In 2012, the World Food Programme's (WFP) Direct Expenses in these countries totalled US$1 billion[1], representing 24 percent of its total Direct Expenses of the year. The audit covered activities from 1 October 2011 to 30 September 2012.

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 Components[3]

Internal Control Component	Conclusion	
1. Internal environment	Medium	
2. Risk assessment	Medium	
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 comprehensive Regional Response Framework for the Sahel Crises, efficient procurement of large quantities of food from the region and a strong commitment to processes such as programme monitoring, risk management and emergency preparedness and response.

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[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.

Audit recommendations

5.   No high-risk recommendations arose from the audit. The audit report contains 14 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 nine.

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 2011 Human Development Index ranked Senegal 155th within low-development countries. Senegal's economy is predominantly rural, with limited natural resources. Senegal is a good location for regional offices of UN organisations and agencies due to its location and its access to the world market, which is better than that of other West African economies.

WFP Operations in the Dakar Regional Bureau

9. WFP established the Dakar Regional Bureau in Senegal to oversee operations in the region. The Regional Bureau provides support and guidance to WFP operations in 19 countries in West Africa: Chad, Niger, Mali, Mauritania, Burkina Faso, Côte d'Ivoire, Liberia, Cameroon, Gambia, Central African Republic, Ghana, Guinea Bissau, Sierra Leone, Benin, Guinea, Sao Tome and Principe, Togo, Cape Verde, and Senegal.

10. The Regional Bureau was involved in the management, coordination and support of WFP's response to the 2012 Sahel Crisis, an extreme drought which threatened millions in the Sahel region with starvation. Further, it was engaged in a regional Emergency Operation for assistance to refugees and internally displaced people affected by the insecurity in Mali as a result of drought and conflict.

11. During the period under review, the Regional Bureau managed the following projects:
- An Emergency Operation (200438) with a budgeted cost of US$78.9 million for the period 1 June 2012 to 31 December 2012 providing assistance to refugees and internally displaced people affected by insecurity in Mali.
- A Special Operation (200234) with a budgeted cost of US$12.1 million for the period 24 January 2011 to 31 December 2012 augmenting regional logistics and telecommunications in support of WFP Emergency Operations and Protracted Relief and Recovery Operations in Côte d'Ivoire and Liberia.
- A Special Operation (200402) with a budgeted cost of US$5.1 million for the period 1 April 2012 to 31 December 2012 augmenting regional logistics and telecommunications in support of the Sahel Crises.

Objective and scope of the audit

12. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with internal control components of WFP's operations in the Dakar Regional Bureau, as part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes.

13. The audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. It was completed according to the approved planning memorandum and took into consideration the risk assessment exercise carried out prior to the audit.

14. The scope of the audit covered WFP's operations in the Dakar Regional Bureau, for the period 1 October 2011 to 30 September 2012. Where necessary, transactions and events pertaining to other periods were reviewed. The Office of Internal Audit carried out field work in the Dakar Regional Bureau from 9 November to 21 November 2012.

III. Results of the audit

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

Table 2: Positive practices and initiatives

1. Internal environment

- Strong national staff capacity.

- A comprehensive Regional Response Framework (RRF) for the Sahel Crisis.

- Strong commitment of the Regional Bureau's senior management to develop good relations and partnerships with host Governments in the region.

2. Risk assessment

- Risk management recognised as a priority and a focal point appointed at the Bureau.

3. Control activities

- Effective oversight of finance.

- Proactive and effective monitoring of funds management.

- Effective procurement of large quantities of food from the region.

- Effective technical support provided to country offices in the region for various programmes.

- Coordinated and emergency-prepared logistics.

- Close coordination with UNDSS on security matters.

4. Monitoring

- Commitment to strengthen the monitoring function within the region.

16. Having evaluated and tested the controls in place, the Office of Internal Audit has come to the following conclusions on the residual risk related to the processes – both in the Regional Bureau and at the corporate level – as follows:

Table 3: Conclusions – categorization of risk by internal control component and business process

Internal Control Component/ Business Process	Risk (Regional Bureau)	Risk (Corporate)
1. Internal environment		
Organizational and reporting structure	Medium	-
Assurance statement on internal controls	Medium	-
2. Risk assessment		
Enterprise risk management	Medium	-
Emergency preparedness and response	Medium	-
3. Control activities		
Finance and accounting	Medium	Medium
Programme management	Medium	-
Transport and logistics	Medium	Medium
Procurement	Medium	-
Security	Medium	-
4. Monitoring		
Programme monitoring and evaluation	Medium	-

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

18. No high risk recommendations arose from the audit. A total of 14 medium-risk recommendations were made. These are presented in Table 4

Management response

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

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

Table 4: Medium-risk recommendations

	Observation	Recommendation	Risk categories[5]	Underlying cause category	Owner	Due date
	Internal Environment					
1	**Organizational and reporting structure:** Staff vacancies and institutional knowledge - The Regional Bureau had nine vacant positions, representing 10 percent of its potential workforce. Staff shortages negatively affected the oversight and support functions of the Bureau. Both the Regional Director and the Deputy Regional Director were reassigned at the same time, with their replacements expected to take office during the first quarter of 2013, leading to a potential loss of necessary institutional knowledge within the Bureau.	Expedite efforts to fill the vacant positions and ensure adequate handover at the senior management level to retain the necessary institutional knowledge.	Operational Securing resources Programmatic	Resources	Dakar Regional Bureau	31 December 2013
2	**Assurance Statement:** Corporate support for preparing the Assurance Statement - The Regional Bureau was not provided with a functional self-assessment checklist to assist in the preparation of the annual Assurance Statement on Internal Control. Consequently, the Bureau's Assurance Statement for 2011 did not reflect the Regional Bureau's key role of providing support and oversight. Room for improvement was noted in the Bureau's management action plan to address identified weaknesses in its Assurance Statement of 2011.	Liaise with the Business Innovation and Support Office for the development of self-assessment tools (such as functional area self-assessment checklists) for the Regional Bureau's use and ensure that the weaknesses identified in the 2011 Assurance Statement for the Regional Bureau and the country offices are systematically tracked and addressed.	Reporting Internal business process Institutional	Guidance	Dakar Regional Bureau	31 December 2013

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

	Observation	Recommendation	Risk categories[5]	Underlying cause category	Owner	Due date
Risk assessment						
3	**Enterprise risk management:** Oversight of enterprise risk management - Nine of the 19 Country Offices in the region did not have their key risks recorded in a risk register. Another six offices reported that their individual risk registers were not updated. The Bureau's risk register reflected an inadequate understanding of the corporate enterprise risk management policy and needed improvement. The Terms of Reference and work plan of the Performance and Risk Management Officer recruited in August 2012 were still being drafted at the time of the audit.	Strengthen the risk management activities - this includes improving the Bureau's risk register and the register's alignment with work plans; monitor the risk management process of Country Offices and ensuring that key risks are brought to the attention of the appropriate level of management.	Operational Stewardship Institutional	Guidance	Dakar Regional Bureau	31 December 2013
4	**Emergency preparedness and response**: Oversight of the Emergency Preparedness and Response - Only nine out of the 19 Country Offices in the region had implemented the corporate Emergency Preparedness and Response Package (EPRP). The Bureau did not monitor to what extent the Offices made use of EPRP, nor assess the extent of its integration with relevant management processes such as Enterprise Risk Management and Annual Performance Planning. It did not have a system to monitor any contextual and regional risks reported by the Country Offices.	Ensure that all country offices implement EPRP and monitor the extent of its use and integration with similar management processes. Further, implement a system for capturing and monitoring high ranking risks escalated by the country offices.	Operational Stewardship Institutional	Compliance	Dakar Regional Bureau	Implemented

	Observation	Recommendation	Risk categories[6]	Underlying cause category	Owner	Due date
Control activities						
5	**Finance and accounting:** Financial oversight - The twelve oversight missions undertaken by the Bureau's Finance Unit did not review VAT receivables and the Electronic Payment System (EPS).	Strengthen the financial oversight function by including VAT and EPS within the scope of oversight missions.	Operational Stewardship Institutional	Guidance	Dakar Regional Bureau	Implemented
6	**Finance and accounting:** Security Deposits **-** The financial dashboard for the West African region did not separately disclose rental advances and security deposits paid to vendors from usual advances and receivables. This made it difficult to monitor the ageing of the usual advances and receivables.	The Finance and Treasury Division should provide guidance to the Regional Bureau and COs for recording of the security deposits and rental advances and how to segregate these from the usual advances in the Financial Dashboard.	Reporting Internal business processes Institutional	Guidance	Finance and Treasury Division	31 March 2014
7	**Programme management:** Programme oversight and technical support – A risk assessment or a systematic methodology was not adopted to identify, document and prioritize the oversight and support activities of the Bureau's Programme Unit.	In coordination with all units, undertake an assessment, to identify and prioritize the oversight and support function of the RB for programme activities and link it with a regional plan to achieve the Regional Bureau's oversight and support objectives for programme activities.	Operational Operational efficiency Programmatic	Guidance	Dakar Regional Bureau	28 February 2014

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

	Observation	Recommendation	Risk categories[6]	Underlying cause category	Owner	Due date
8	**Transport and Logistics:** Management of the Regional Logistics Unit (RLU) - Staff turnover and a reduction in funded positions had a negative effect on the work performed by the unit. For example, the last Logistics Capacity Assessment (LCA) for four countries was performed more than five years ago. The Landside Transport, Storage and Handling (LTSH) matrix for five countries had not been updated for more than one year. The RLU did not undertake oversight missions and oversight work was restricted to desk reviews, and the unit did not have a work plan or an annual performance plan. These could have provided a useful means for managing and mitigating the negative effects of staff shortages.	Expedite the recruitment process for the vacant positions in the Regional Logistics Unit and ensure that the unit's performance plan is prepared and regularly monitored.	Operational Securing resources Programmatic	Resources	Dakar Regional Bureau	Implemented
9	**Transport and Logistics:** Logistics support and monitoring - The Regional Logistics Unit (RLU) did not have a system to track and monitor the requests for assistance.	Implement a system for tracking and monitoring requests for support from country offices regarding logistics.	Operational Internal business processes Programmatic	Guidance	Dakar Regional Bureau	28 February 2014

	Observation	Recommendation	Risk categories[6]	Underlying cause category	Owner	Due date
10	**Transport and Logistics:** Cost sharing for logistics corridors **-** A number of WFP country offices - Lomé (Togo), Cotonou (Benin), Dakar (Senegal), and Tema (Ghana) - made use of common logistics corridors that served the land-locked countries in the region. There was no Memorandum of Understanding on cost-sharing between the country offices involved and costs were borne by only one of the offices.	Expedite efforts for a formal Memorandum of Understanding for cost-sharing between the WFP country offices when using logistics corridors in the region.	Operational Internal business processes Institutional	Guidelines	Dakar Regional Bureau	31 December 2013
11	**Transport and Logistics:** There are no corporate guidelines on cost-sharing among country offices using common logistics corridors within a region.	Expedite efforts to establish corporate guidelines for cost-sharing arrangements between WFP country offices using common logistics corridors.	Operational Internal business process Institutional	Guidelines	Resource Management and Accountability Department	30 June 2014
12	**Procurement:** Staffing and monitoring – Staff resources of the Regional Procurement Unit were not adequate to meet its objectives and the unit did not have a system to track and monitor the support requests received from country offices. The unit did not undertake any oversight missions to country offices during 2011 and 2012.	Expedite efforts to fill vacant procurement positions in the Regional Bureau, implement a system for tracking and monitoring support requests and establish a plan for procurement oversight.	Operational Internal business processes Programmatic	Guidance	Dakar Regional Bureau	Implemented

	Observation	Recommendation	Risk categories[6]	Underlying cause category	Owner	Due date
13	**Procurement:** Supply of non-food items – A number of items, such as tents, communications equipment, vehicles and spare parts purchased by country offices from UNHRD and FESO, were received up to seven months after being ordered, diminishing their usefulness. One hundred and seventy seven advances relating to these purchases had been open for more than 90 days, 85 of which had been open for more than six months.	Include delays in the delivery of critical non-food items in the risk register and implement a procedure for escalating this risk to the Operations Management Department.	Operational Securing resources Programmatic	Guidance	Dakar Regional Bureau	Implemented
Monitoring						
14	**Programme monitoring and evaluation:** Regional oversight and support of Monitoring and Evaluation (M&E) - The Regional Bureau did not have a documented strategy for the provision of M&E assistance to country offices. Only one third of the country offices were making use of the M&E database developed by the Regional Bureau.	Develop a regional M&E strategy that is aligned with the corporate strategy and implement procedures to ensure that country offices take maximum advantage of the regional M&E database.	Operational Operational efficiency Programmatic	Guidance	Dakar Regional Bureau	31 March 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 frameworks[7] 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).

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

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.[8]

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.

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[8] 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

EMOP	Emergency Operation
EPRP	Emergency Preparedness and Response Package
EPS	Electronic payment system
FESO	Field and Emergency Support Office
IS/IT	Information Systems/Information Technology
M&E	Monitoring and evaluation
PRRO	Protracted Relief and Recovery Operation
RLU	Regional Logistics Unit
UN	United Nations
UNDSS	United Nations Department of Safety and Security
UNHRD	United Nations Humanitarian Response Depot
VAT	Value added tax
WFP	World Food Programme