

Internal Audit of Select WFP Corporate Processes

Office of the Inspector General
Internal Audit Report AR/14/12



World Food Programme

Contents

		Page
I.	Executive summary	3
II.	Context and scope	5
III.	Results of the audit	7
IV.	Detailed assessment	14
	Annex A – Definition of audit terms	15
	Annex B – Acronyms	18

Internal Audit of Select WFP Corporate Processes

I. Executive Summary





Introduction

1. As part of its annual work plan for 2013, the Office of Internal Audit conducted an audit of the World Food Programme's (WFP) response to the drought emergency affecting the Sahel region and the Mali conflict crisis.
2. The audit covered activities from 1 January 2012 to 30 June 2013 and included field visits to various locations in Mali and Niger as well as a review of related corporate processes that impact across WFP. This separate review of related corporate processes that impact across WFP was completed in 2014.
3. The audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Audit Conclusions

4. The audit made three high-risk and eight medium-risk recommendations to the Mali Country Office and one high risk and nine medium risk recommendations to the Niger Country Office. These recommendations are included in two internal audit reports¹ issued to the respective country offices separately.
5. The audit also identified some control issues relating to corporate processes, which are described in this report. Based on these observations, the Office of Internal Audit has come to an overall conclusion for the corporate processes of **partially satisfactory**. Conclusions by internal control component are summarized in Table 1:

Table 1: Summary of conclusions by Internal Control Components

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

Key Results of the Audit

Positive practices and initiatives

6. A number of positive practices and initiatives were noted at corporate level, including new guidance on Regional Emergencies and the set-up of a comprehensive on-line database for all recommendations from the Lessons Learned exercises conducted by management after corporate emergencies, and, for the first time, for a regional emergency (Sahel Emergency).

¹ Report No. AR/14/02 and Report No AR/14/05.

Audit observations

7. The audit report contains one high-risk and twelve medium-risk observations. The high-risk corporate observations arising from the audit were:

8. **Corporate M&E database and tools:** Some of the county offices involved in the emergencies recorded all their M&E data in customised excel spread sheets and later input all the data in an ad-hoc on-line tool developed by the West Africa Regional Bureaux. The full roll-out of the Corporate M&E database will increase accuracy and efficiency in data gathering and data analysis, especially in the context of regional projects.

Management response

9. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations. Work is in progress and management plans to have all the agreed actions implemented by 31 December 2015.

10. 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

Sahel and Mali Emergencies

11. The 2012 Sahel Emergency was the third drought emergency to affect West Africa in the last ten years. The drought also affected an increasing number of countries: Niger (also affected in 2005 and 2010) and Chad (affected in 2010), Mali, Mauritania, Burkina Faso, Cameroon, Senegal and the Gambia.

12. The Mali security crisis started at the beginning of 2012 with fighting in the North of the country that led to a large number of internally displaced people within Mali, and large numbers of refugees fleeing to neighbouring countries, including Mauritania, Niger and Burkina Faso. A UN peacekeeping mission arrived in Mali in July 2013.

WFP Response to the Sahel and Mali Emergencies

13. The Sahel Drought Emergency (2012) and the Mali Emergency (2012 and 2013) were informally declared Level 2 Emergencies² at the start of 2012 and were placed under the responsibility of the West Africa Regional Bureau in Dakar. The Sahel Emergency was informally de-activated in September 2012 but the Mali emergency was still on-going at the time of the audit.

14. The first early warning reports drawing attention to a potential food crisis from the drought dated back from October 2011. National governments started asking for humanitarian support from October 2011. Different WFP country offices started responding at different times; most Emergency Operations (EMOP) covering the drought were in place by February 2012. Total requirements for 2012 for this emergency were US\$ 888 million (of which 88 percent received funding). The requirements for 2013 were fifty percent lower (US\$ 445 million).

15. As for the internally displaced and refugees which resulted from the Mali Security crisis, the first country EMOP was set-up in February 2012 by Mauritania. However, in June 2012, WFP decided to organise the response through a regional EMOP covering Mali, Mauritania Niger and Burkina Faso, in order to help improve coordination. In 2013, given the size of the response in Mali, the Country Office (CO) decided to launch its own separate EMOP outside the regional EMOP. The overall value of this emergency in 2012 (excluding special operations) was US\$ 81 million (of which 82 percent was resourced). The combined projected value of operations for 2013 was US\$ 204.4 million of which US\$ 67.2 million under the regional EMOP (100 percent funded) and US\$ 137.2 million under the Mali EMOP (currently 60 percent funded). Both projects ended in December 2013.

16. In addition to food assistance activities, WFP's response to both emergencies included special operations to support logistics and telecommunication activities for the entire humanitarian community (clusters), and United Nations Humanitarian Air Services (UNHAS) operations for the transport of people and non-food items. As part of the drought emergency, and in addition to direct food assistance, WFP distributed cash and vouchers to 2.1 million beneficiaries mainly in Niger, making this the biggest emergency cash distribution that the organisation has ever undertaken.

Objective and scope of the audit

17. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with internal control components of WFP's operations in a sample of countries (Mali and Niger) affected by the Sahel and the Mali Regional Emergencies, as part of the process of

² Emergency requiring strong regional support.

providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes.

18. 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.

19. The audit scope covered WFP's operations in Mali and Niger for the period from 1 January 2012 to 30 June 2013. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork, which took place from 13 August 2013 to 4 September 2013, included visits to various locations in Mali and Niger, and to the regional bureau based in Senegal.

20. This separate review of related corporate processes that impact across WFP was completed in 2014.

III. Results of the audit

21. In performing our audit, the following positive practices and initiatives were noted:

Table 2: Positive practices and initiatives

1. Internal environment

- In October 2012, the Executive Director issued a new circular called “WFP Emergency Response Activation Protocol” which included clearer guidance regarding the activation and management of Level 2 Regional Emergencies.
 - All key information relating to the emergency at a country office level and the minutes from the Emergency Task Force meetings were readily available to all staff through the Emergency and Preparedness intranet portal.
-

2. Monitoring

- Whilst Lessons Learned exercises are only mandatory for corporate emergencies, WFP decided to pilot a Lessons Learned exercise for the Sahel Regional Emergency.
 - A new online database for Corporate Lessons learned outcomes from 2010 onwards has been made available to all staff through the intranet, and it includes detailed information split by country, year, report and topic/process (e.g. IT. Security, etc.).
-

22. Based on the evidence gathered on some corporate processes, the Office of Internal Audit has come to the following conclusions on the residual risk:

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

Internal Control Component/ Business Process	Risk (Corporate)
1. Risk Management	
Enterprise Risk Management	Medium
Emergency Preparedness and Response	Medium
2. Control activities	
Finance and accounting	Medium
Transport and logistics	Medium
Procurement	Medium
Programme	Medium
3. Information and communication	
External Communications	Medium
Internal Communications	Medium
4. Monitoring	
Programme Monitoring	High

23. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion, for the corporate processes covered by this audit, of **partially satisfactory**³.

24. The one high risk observation is detailed in Section IV of this report. Twelve medium risk observations were made. Tables 4 and 5 below present the high and medium risk observations respectively.

Management response

25. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations. Work is in progress and management plans to have all the agreed actions implemented by 31 December 2015⁴.

³ See Annex A for definitions of audit terms.

⁴ Implementation will be verified through the office of Internal Audit’s standard system for monitoring agreed actions.

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

Observation	Agreed Action	Risk categories ⁵	Underlying cause category	Owner	Due date
Monitoring					
1 Programme monitoring and evaluation: availability of standardised corporate IT platforms – both Niger and Mali Country Offices spend a significant amount of time locally inputting and analysing their M&E data on their customised excel worksheet and later re-inputting the data in the ad-hoc system developed by the Regional Bureau. These additional steps were needed as a result of operations being undertaken under a single regional project.	Complete roll-out of corporate M&E tools as soon as possible, prioritising countries involved in regional projects.	Reporting Institutional Programmes	Best practice	Performance Management and Monitoring Division	31 December 2015

⁵ See Annex A for definition of audit terms

Table 5: Medium risk observations

Observation	Agreed Action	Risk categories ⁶	Underlying cause category	Owner	Due date
Risk Management					
2	Emergency Preparedness and Response : deployment of additional staff to the field – some country offices in the region had difficulties in finding additional staff or consultants to support the scale-up needed for the emergency. Part of the difficulties was due to lack of clarity regarding the support that could be expected from outside the region.	Review process to monitor staffing needs of Level 2 regional emergencies and the efficiency and effectiveness of the Regional Bureaux in their overall support and coordination responsibilities.	Operational Institutional Programmes	Resources Emergency Preparedness Division	31 December 2014
Control Activities					
3	Finance: monitoring overdue payables – the information on overdue payables is currently under-estimating the delays in payment, as a result of the current system set-up and errors in data input.	Review the process to record liabilities and to monitor overdue payables.	Reporting Institutional Processes and Systems	Compliance Finance and Treasury Division	30 June 2014
4	Finance: segregation of duties in UNHAS – all key financial reconciliations are performed by UNHAS staff without any intervention from independent parties. Delegations of authority for the decisions regarding pricing of tickets and usage of income from tickets are also unclear. At present these decisions seem to be taken at local level by the User Group Committee.	Together with the Finance and Treasury Division, develop clear standard guidelines for the management of UNHAS revenue, in line with financial best practice and WFP internal control framework.	Operational Institutional Processes and Systems	Guidelines Aviation Services	31 December 2014

⁶ See Annex A for definition of audit terms

Observation	Agreed Action	Risk categories ⁶	Underlying cause category	Owner	Due date
5 Transport and logistics: complying with product storage specifications - in both Mali and Niger, air conditioning units were being introduced in some warehouses to reduce the temperature. This would ensure compliance with storage specifications for nutrition products, which are more stringent than those of traditional WFP commodities. Whilst these specifications should in theory also be complied with by WFP's logistics suppliers and the implementing partners, it is unclear whether they are in a position to comply.	Prepare a detailed analysis of the risks of non-compliance with food storage specifications outside WFP covering transporters and implementing partners, identify mitigating controls. Design a system to monitor compliance.	Compliance Programmatic Processes and Systems	Compliance	Logistics Division	Implemented
6 Procurement: dependency from key suppliers – as a result of problems in a supplier's production lines, some nutritional products needed during the emergency were not available for distributions. The risk of poor food quality is included in the corporate risk register but the only mitigating action, which is only partially completed, is the roll-out of the food safety and quality management system.	Identify all food and nutrition products for which WFP is heavily reliant on a limited number of suppliers, and prepare a strategy to respond to sudden interruptions or delays in supplies. This analysis will be performed under the broader review of the corporate sourcing and delivery strategy, but will include a detailed analysis of all the specificities of nutritional products.	Operational Programmatic Processes and Systems	Best practice	Procurement Division	31 December 2014
7 Procurement: composition of regional procurement committee – the minimum requirement for a regional committee to be compliant with WFP rules and regulations is to include one international staff and two other staff. In Dakar, the committee was found to include very junior staff thus increasing the potential or risk of the inappropriate influence of the Committee.	Strengthen the composition of Regional Bureau committee, in line with the increased delegation of procurement authority outside Headquarters. This will be done as part of a wider review of delegations of authority for procurement and overall oversight role of regional bureaux, not only in procurement, which will also include an analysis of resources needed to implement the required level of regional oversight.	Operational Institutional Processes and Systems	Best practice	Procurement Division	30 June 2015

Observation	Agreed Action	Risk categories ⁶	Underlying cause category	Owner	Due date
8 Procurement: sourcing food from local government stocks – during the Sahel emergency, some of the food was procured from neighbouring governments, who sold part of their emergency stocks to WFP. Some of the deliveries were significantly delayed.	Prepare a lessons learned exercise from purchases from local government, to identify the areas for capacity building and other process improvements. Purchasing from national reserves is being analysed as part of the corporate sourcing and delivery strategy currently being developed, and the strategy will incorporate the risks associated with this source of purchasing and the appropriate mitigating measures.	Operational Programmatic Processes and Systems	Best practice	Procurement Division	31 December 2014
9 Programme: overlap in funding requests between different projects – some of the beneficiaries involved in the drought and the Mali security crisis were being included in different project documents at the same time, due to delays in budget revisions.	Review process for implementation, especially for EMOPs, to enable easy alignment of needs and project documents.	Strategic Institutional Securing resources	Compliance	Policy, Programme and Innovation Division	Implemented
10 Human resources: fluent knowledge of a second UN language – all the country offices involved in the Sahel emergency had difficulties in finding qualified international staff to join their operations due to a lack of fluent French speakers available for rapid deployment. Lack of alignment between language competencies of staff and WFP's geographic presence could have significant negative operational implications.	Systematically enforce the second language requirement and prepare an analysis of possible actions, targeted at national and international staff, to strengthen language competencies in UN languages which are important for WFP.	Operational Programmatic People	Best practice	Human Resources Division	30 June 2014
11 Human resources: reliance on United Nations Volunteers (UNVs) for key roles – several countries, including Niger having been relying on UNVs to manage their sub-offices and to perform other key tasks, which is against the volunteering spirit of the programme and against the rules and regulations of United Nations Development Programme (UNDP), the UN agency responsible for UN-related rules and regulations.	Review the allocation of roles and responsibilities as part of the wider project which will review roles, responsibilities and delegations of authorities, including, for example, between national and international staff and between staff and consultants.	Compliance Institutional People	Compliance	Human Resources Division	31 December 2015

Observation	Agreed Action	Risk categories ⁶	Underlying cause category	Owner	Due date
Information and communication					
12 External communication: information on wfp.org confusing and not updated – at the time of the audit, most of the information relating to the Sahel Emergency, including donation requests, had last been updated in 2012. The same problem had been noted during the Haiti audit, which took place almost two years after the earthquake.	Prepare clear guidelines regarding set-up and termination of ad-hoc small donor links and portals for emergencies.	Reporting Institutional Accountability and Funding	Human error	Private Sector Partnership Division	Implemented
13 Internal communication: knowledge sharing in a high-turnover environment – important information used by country office consultants or staff on secondment during the emergency was found not to have been saved and archived in such a way as to enable smooth and efficient take-over by other staff.	Together with the team in charge of the corporate knowledge management initiative, prepare a framework to facilitate knowledge management and knowledge transfer within offices and between offices.	Operational Programmatic Processes and Systems	Best practice	Management Services Division	31 December 2014

IV. Detailed Assessment

Monitoring

High Risk

Observation 1 Corporate M&E database and tools

26. Both Mali and Niger were found to be challenged during the emergency in the data gathering process of the M&E indicators.

27. The country offices designed their own tools in excel and, in order to ensure consistent reporting on the regional EMOP project, they also had to re-input by hand all country office data in an M&E database developed by the Regional Bureau called ATOMs. This repository proved difficult to use, time-consuming to update and not designed to collect data on cash as well as food distributions.

28. Having a unique corporate database would have been particularly important in the context of a regional project which requires the aggregation of data generated by different country offices.

29. The Mali and Niger reports both include recommendations to the country office teams to strengthen their M&E tools whilst the corporate database (COMET) is rolled out.

Observation 2

Underlying cause of observation:	Delays in the design and implementation in the Corporate M&E database. Re-alignment of current design to the new Strategic Results Framework for 2014-2017.
Implication:	Inefficient use of WFP resources. Increased risk of errors or fraud regarding distribution data.
Policies, procedures and requirements:	Best practice M&E

Agreed Action: Complete roll-out of corporate M&E tool as soon as possible, prioritising countries involved in regional projects.

Agreed management actions: The responsibility for the development and roll-out of the Corporate M&E database COMET were transferred from Programme to the Performance and Accountability Management Division (RMP) in September 2012. Since then, RMP has expanded the outreach and consultation with Country Office M&E practitioners and programme staff in the development of the system and in validating the functionalities thereof. RMP has prioritized development and rolling out of the COMET Basic Modules, namely, Design Module and Implementation Module. The COMET Design Module has been rolled out to all regions and all operational countries, except the Philippines which will be covered during the early part of 2014, once the corporate emergency response is stable. COMET Implementation Module was tested and validated by nineteen Country Offices in 2013 and is now being finalized for pilot testing. RMP plans to launch the pilot for COMET Implementation Module in the 2nd quarter of 2014. The full roll-out of these two modules is expected to be completed by December 2015.

Target implementation date: 31 December 2015

Annex A –Definitions of Audit Terms

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)⁷ 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	People:	Effective staff learning and skill development – Engaged workforce supported by capable leaders promoting a culture of commitment, communication & accountability – Appropriately planned workforce – Effective talent acquisition and management.
2	Partnerships:	Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated.
3	Processes & Systems:	High quality programme design and timely approval – Cost efficient supply chain enable timely delivery of food assistance – Streamlined and effective business processes and systems – Conducive platforms for learning, sharing and innovation.
4	Programmes:	Appropriate and evidence based programme responses – Alignment with Government priorities and strengthened national capacities – Lessons learned and innovations mainstreamed – Effective communication of programme results and advocacy.
5	Accountability & Funding:	Predictable, timely and flexible resources obtained – Strategic transparent and efficient allocation of resources – Accountability frameworks utilised – Effective management of resources demonstrated.

⁷ Committee of Sponsoring Organizations of the Treadway Commission.

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

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

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.⁸

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.

⁸ An audit observation of high risk to the audited entity may be of low risk for WFP as a whole; conversely, an observation of critical importance for WFP may have low impact for a specific entity, but globally be of high impact.

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

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 8. 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

CO	Country Office
ED	WFP Executive Director
EMOP	Emergency Operation
Level 1 Emergency	Emergency managed by a Country Office with little external support
Level 2 Emergency	Emergency requiring strong regional support
Level 3 Emergency	Corporate emergency, requiring strong support from Headquarters
M&E	Monitoring & Evaluation
OED	Office of the Executive Director
RB	Regional Bureau
SO	Special Operation
UN	United Nations
UNDP	United Nations Development Programme
UNV	United Nations Volunteers
UNHAS	United Nations Humanitarian Air Services
WFP	World Food Programme