

WFP Operations in Syria and Neighbouring Countries – Internal Audit of the Recommendations from 2013

Office of the Inspector General
Internal Audit Report AR/14/20



World Food Programme



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WFP Operations in Syria and Neighbouring Countries – Internal Audit of the Recommendations from 2013

I. Executive Summary

Introduction

1. As part of its annual work plan for 2014, the Office of Internal Audit conducted an audit of the implementation of recommendations made in an audit report issued in 2013¹.
2. In 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 scope of the audit covered the operations in countries implementing the regional Emergency Operation (EMOP), namely Egypt, Iraq, Jordan, Lebanon, and Turkey. The audit covered the period from 1 January 2012 to 30 April 2013. Where necessary, transactions and events pertaining to other periods were reviewed.
3. The 2013 audit report made three high risk and 18 medium risk recommendations. In the covering memorandum to the Executive Director, the Inspector General intimated that due to the unprecedented challenges and scale of the Syria Operation, the Office of Internal Audit would conduct an audit on the fulfilment of the recommendations. This audit took place in 2014 and included a field visit to the Regional Emergency Coordination Office in Amman from 4 June to 3 July 2014.
4. 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

5. The Office of Internal Audit reviewed the actions undertaken to implement the recommendations made in the 2013 audit report and has concluded that all 21 recommendations have been implemented. Details for each recommendation and conclusions by risk category and internal control component are summarised in Tables 1 and 2 respectively.
6. 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

¹ AR/13/13 issued November 2013

II. Context and Scope

Syria

7. 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

8. WFP started its operations in Syria in 1964. Emergency operations inside Syria began in 2011, and were extended to Syrian Refugees in the region as of 2012. 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. On 14 December 2012, the Syria Operation entered a new, more responsive phase. The Executive Director declared the operation a Level 3 Corporate Emergency, meaning that it required mobilisation of WFP global response capabilities in support of the relevant Country Offices². 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. The regional refugee response covered five countries: Egypt, Iraq Jordan, Lebanon, and Turkey.

9. WFP's Direct Expenses in Syria and the Neighbouring Countries in 2012 amounted to USD 110 million, rising to USD 242 million in the first six months of 2013. This represented 2.9 percent and 12.8 percent of WFP's total Direct Expenses for the respective period³.

10. The following projects were active during 2013 and were covered by the 2013 audit:

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

11. The total number of beneficiaries, estimated at 3.7 million at the start of 2013, 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 USD 3 million (USD 2 million Country Office, USD 1 million Regional)⁴. This increased to USD 16 million (USD 8 million Country Office, USD 8 million Regional)⁵ for the first six months and was set at a weekly average of USD 31 million (USD 12 million Country Office, USD 19 million Regional)⁶ for the second half of 2013.

12. The audit of implemented recommendations took place in 2014 and included a field visit to the Regional Emergency Coordination Office (RECO) in Amman from 4 June to 3 July 2014.

² Office of the Executive Director (OED) Circular 2012/012 of 3 October 2012.

³ WFP Financial Systems and Processes Support Branch, Resource Management and Accountability Department.

⁴ 2012 approved budget in WFP ERP system.

⁵ WFP REC Senior Management Reports.

⁶ WFP Weekly Syria Requirements and Shortfalls Report.



Objective and scope of the audit

13. The objective of the audit was to determine whether the 2013 audit recommendations had been adequately implemented, the risks mitigated and the related controls strengthened.

14. The audit scope covered all 21 recommendations made in the 2013 audit report. Of these, three were categorised as high risk recommendations and the other 18 as medium risk. Seventeen recommendations were directly addressed to the RECO, two to the Syria Country Office, and one each to the Corporate Response Director and the Operations Management Department. RECO acted as coordinator for the implementation of all recommendations.



III. Results of the audit

15. The Office of Internal Audit reviewed the actions undertaken by the WFP Syria Operation to review the status and consequential risk with respect to the recommendations made and agreed to in the 2013 audit report.

16. Based on the results of the audit, the Office of Internal Audit has concluded that all 21 recommendations have been satisfactorily implemented. Details for each recommendation and conclusions by risk category and internal control component are summarised in Tables 1 and 2 respectively.

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

Table 1: High risk recommendations

Observation	Recommendation/Management response and action undertaken	Audit verification conclusion
Internal Environment		
<p>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.</p>	<p>The Regional Emergency Coordination Office (RECO) should ensure that the specific and regional Emergency Operation (EMOP) strategic document includes all elements of WFP response strategy.</p> <p><i>The 2014 budget revisions of the Regional and Syria CO EMOPs spell out WFP's response strategy in detail. Furthermore, WFP, through the RECO and the Regional Bureau, initiated the development of a more comprehensive WFP strategy building on the interagency frameworks (SHARP, RRP and Comprehensive Regional Strategy) as well as the United Nations Development Group/World Bank-led resilience framework. The RECO strategy is now set out in a document titled "WFP Syria Crisis Strategic Statement 2014".</i></p>	Implemented
<p>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 RECO did not have access to the monthly financial monitoring tools of three of the countries.</p>	<p>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 review the location to which the monthly financial monitoring tools should be submitted.</p> <p><i>The ED's Delegation of Authority of 8 March 2013 was 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. A Decision Memo was issued by the Deputy ED/Chief Operating Officer on 14 May 2014 with a revised matrix of Delegation of Authority. All financial management tools are managed by Emergency Coordinators (ECs) in their respective countries with close oversight by the RECO.</i></p>	Implemented

Observation	Recommendation/Management response and action undertaken	Audit verification conclusion
Monitoring		
<p>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 approved regional Monitoring and Evaluation (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.</p>	<p>The Regional Emergency Coordination Office should define a timeline for implementing the harmonised 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.</p> <p><i>The Syria Crisis M&E System and Activity matrix shows the different components of the M&E system through which the RECO supports the COs with, as well as the list of documents that provide the necessary verification evidence. The RECO has harmonised the toolkits and rolled the product out across the region. A review of the tool kits, methodologies and sampling criteria applied in Iraq, Lebanon and Jordan, confirmed the adoption of a harmonised M&E approach.</i></p>	<p>Implemented</p>

Table 2: Medium risk recommendations

Observation	Recommendation/ Management response and action undertaken	Audit verification conclusion
Internal Environment		
<p>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.</p>	<p>The Regional Emergency Coordination Office should implement the actions agreed at a meeting of Emergency Coordinators in May 2013 aimed to achieve a light and highly operational and supportive organisational structure.</p> <p><i>The organogram was updated and approved by the REC. Three workshops were held with Emergency Co-coordinators and Officer-in-Charge, Syria COs to review the suitability of the RECO structure to deliver its mandate of support and oversight of the Syrian Emergency response, and reporting lines.</i></p>	Implemented
<p>5 Delegated authority: Delegation of authority for vouchers and cash transfers - Audit sample showed that REC approved Purchase orders worth USD 44M for Cooperating Partners to cover for Voucher and cash transfers. No specific approval authority has been defined for such transfers</p>	<p>The Operations Management Department should define and communicate the delegation of authority for vouchers and cash transfers.</p> <p><i>Circular OED 2014/011 titled "Delegated Authority for Cash & Voucher Transfers" of 5 August 2014 establishes the appropriate delegation of authority limits for approving cash and voucher transfer purchase orders in WINGS.</i></p>	Implemented
<p>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.</p>	<p>The Regional Emergency Coordination Office should coordinate with the Regional Bureau to identify and implement an ICT governance structure that is most appropriate to support RECO operations.</p> <p><i>The Regional ICT Coordinator role responding for the Syria Corporate Emergency transitioned to the Regional IT Officer (RITO) out-posted at the Cairo Regional Bureau. The RITO, in his capacity as the Regional ICT Coordinator for the Syria Crises, coordinated the ICT response together with the ICT Officers based in the offices supporting the Crisis and worked closely with OST management, RECO management, Syria CO management and the Emergency Coordinators.</i></p>	Implemented
Risk Assessment		
<p>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.</p>	<p>The Regional Emergency Coordination Office should undertake a business impact analysis and develop and implement a business continuity plan.</p> <p><i>To ensure that the Business Continuity Plan conformed to WFP's central Business Continuity and Crisis Management (BCCM) Programme, the WFP BCCM Project Manager was deployed on a short mission to Amman on 17-22 November 2013. The RECO focal points were then provided with a guidance document to assist them in finalising the plan. A business continuity plan was approved by the Regional Emergency Coordinator in February 2014.</i></p>	Implemented

Observation	Recommendation/ Management response and action undertaken	Audit verification conclusion
<p>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.</p>	<p>The Regional Emergency Coordination Office should coordinate with the Supply Chain Working Group and establish a documented strategy for the emerging regional market taking into account constraints such as market capacity, time of delivery and political situation.</p> <p><i>The RECO has worked with the Supply Chain Management (SCM) working group. The SCM reports for the Syria and Regional EMOP include an overview of regional procurement options and constraints. Teleconferences were held on logistics, procurement and the operational supply chain. In addition, joint planning workshops with participants from the RECO, COs and HQ jointly analysed the existing operation and looked at possible future scale-ups in order to identify the optimum supply chain. A dashboard was prepared for the Syria EMOP.</i></p>	Implemented
Control Activities		
<p>9 Programme management: Identification, verification and prioritisation of beneficiary numbers – United Nations High Commissioner for Refugees’ (UNHCR) 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.</p>	<p>The Regional Emergency Coordination Office should design regional approach guidance on both targeting and prioritisation to assist COs in identifying their needs and prioritise.</p> <p><i>All Syrian refugees in Jordan were being registered by UNHCR using the iris scan technology and the RECO was using UNHCR’s updated beneficiary list in their distribution plan. The iris scan verification in Za’atri camp reduced the manifest from 104,166 persons in January to 86,227 at the end of June notwithstanding 64,754 new arrivals during the period. WFP’s regular monthly monitoring and the Comprehensive Food Security Monitoring Exercise (CFSME) helped assess the food security of more than 8,000 Syrian refugees living in Jordan communities and relief camps. WFP ran the technical group designing thresholds for vulnerabilities based on the CFSME findings. A working draft of the Jordan Refugee Response Vulnerability Assessment Framework (VAF) was circulated to the UN Inter-Agency Task Force, Inter-Sector Working Group and the International Non-Governmental Organization Forum in May. A UNHCR VAF coordinator arrived in June to help implement the VAF.</i></p>	Implemented
<p>10 Programme management: Implementation of the voucher programme - Implementation of the voucher programme for the regional EMOP was inconsistent and there was room for better controls over the selection of retailers, voucher redemption and encashment.</p>	<p>The Regional Emergency Coordination Office should review the design of the voucher modality, conduct a review on the effectiveness of the implementation of the voucher programme and apply a standard procedure for effective programme implementation.</p> <p><i>A regional SOP was finalised in September 2013. This was superseded by a joint directive issued by HQ which called for plans of operations. RECO has developed an outline Cash & Vouchers (C&V) plan of operations based on the upcoming C&V manual. Jordan, Lebanon and Turkey had their plans of operations prior to the RECO’s outline plan and will streamline them once the new edition of the manual is released. Egypt and Iraq have been developing their plans of operations for e-voucher, and Syria has finalised its plan. The standard regional database for paper vouchers with customisations for individual offices has been set up.</i></p>	Implemented

Observation	Recommendation/ Management response and action undertaken	Audit verification conclusion
<p>11 Programme management: Management of Cooperating Partners (CPs) - 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.</p>	<p>The Regional Emergency Coordination Office should establish terms of reference for Programme Review Committees (PRCs), 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.</p> <p><i>The RECO and Country operations established PRCs or equivalent with clear terms of reference, including criteria and guidelines for the COs to assess partners' operational and financial capacity as well as geographical presence, and performed a comprehensive review before selecting a partner. The number of CPs increased from 40 in June to 51 by the end of the year. During the first six months of 2014, Lebanon, Iraq and Jordan made further progress in increasing the number of CPs engaged in C&V operations.</i></p>	Implemented
<p>12 Transport and Logistics: Fuel management in Syria - The Standard Operating Procedures (SOP) 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.</p>	<p>The Syria Country Office should review the process for managing fuel provision, taking into consideration resource constraints, and put in place appropriate cost recovery and controls.</p> <p><i>An SOP for fuel handling management, including provision of fuel on a 'non-cost recovery basis', has been put in place. A dedicated storekeeper was appointed to manage the strategic fuel stock and perform a monthly physical check. Syria CO arranged for a mission from Logistics and Transport Service in HQ to Beirut to implement FleetWave (the corporate tracking tool for trucks and fuel). Staff from Syria CO visited Beirut to be trained in the use of FleetWave and the system was customised to meet the requirements of the CO.</i></p>	Implemented
<p>13 Transport and Logistics: Transport sourcing in Syria - Transport sourcing in Syria called for better information to allow the Local Transport Committee (LTC) to broaden the opportunity for selecting transporters and to reach more zones within the country.</p>	<p>The Syria Country Office should review and update the process for selecting transporters and identify those who will undertake zonal or regional transport.</p> <p><i>A comprehensive transporter short-listing exercise was completed and an expanded shortlist put in place. In conjunction with HQ, a tariff system was implemented for inland transport within Syria. This meant that four different companies were now on contract, thereby providing additional capacity and competition. Delegations of authority for overland transport into Syria have been transferred from the REC and the Jordan Country Director (CD) to the Syria CD. This centralisation of all overland and inland contracting activities has allowed for one LTC, based in Damascus, which now has an overview of all Syria-related contracting activities. It has also allowed for contracting to be centralised under one Logistics Contracting Officer based in Damascus, thereby ensuring greater coherence and better communication with the LTC and the CD.</i></p>	Implemented

Observation	Recommendation/ Management response and action undertaken	Audit verification conclusion
<p>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 USD 4.7million as at May 2013) to be processed; and in one situation, warehouse space had been rented for two months without being utilised.</p>	<p>The Regional Emergency Coordination Office should 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.</p> <p><i>RECO re-designed and streamlined much of its upstream operation, taking a Supply Chain approach and ensuring joint planning with Procurement, FPF, Shipping, Pipeline and Logistics at HQ. The agreements under which suppliers in Turkey maintained a stock of commodities in their own warehouses and procurement of FPF stocks allowed the CO to close a number of warehouses. Dedicated staff ensured timely issuance and processing of Requests for Quotations. In August 2013, all invoice processing functions for the Syria EMOP were consolidated in Amman, allowing better coordination. All invoices submitted during the audit period have been processed. An SOP for Logistics payment processing that streamlined the process was put into effect in July 2013. Key Performance Indicators have been developed for invoice processing and there is regular reconciliation to vendor statements.</i></p>	<p>Implemented</p>
<p>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.</p>	<p>The Regional Emergency Coordination Office should 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.</p> <p><i>The COMPAS unit has been restructured. An international COMPAS Manager was hired to oversee COMPAS activities and an experienced COMPAS Administrator brought in to help build up the technical capacities of COMPAS staff. Training missions by the COMPAS Manager and by the COMPAS focal point in the Regional Bureau provided additional training and guidance to staff. The COMPAS teams perform a detailed monthly reconciliation. Differences are shared with other logistics staff for follow-up. Efforts have been made to ensure that documentation such as waybills are both accurate and complete, and are received by COMPAS staff on a timely basis.</i></p>	<p>Implemented</p>
<p>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.</p>	<p>The Regional Emergency Coordination Office should implement an actionable plan to strengthen the procurement process.</p> <p><i>The RECO Procurement Unit has taken a number of steps to streamlined elements of the procurement process. These include: establishing 20 Long Term Agreements to reduced lead-time, capacity development for vendors and Procurement staff, and the introduction of SOPs. A Regional Food Procurement Plan, a Goods & Services Procurement Plan and a Goods & Services Unit Plan covering the six-month period January to June 2014 were prepared in consultation with RECO based units and COs in the region and approved at the start of the year.</i></p>	<p>Implemented</p>

Observation	Recommendation/ Management response and action undertaken	Audit verification conclusion
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.	The Regional Emergency Coordination Office should rectify anomalies and implement analytical review controls over the payroll of national staff. <i>Anomalies were rectified and the corporate payroll system adopted for national staff. Effective May 2014, payroll was signed by the HR Officer, reviewed and certified by the Finance Officer and approved by the CD.</i>	Implemented
18 Property and equipment: Controls over the recording of assets - Assets were not recorded in the Assessment Management Database (AMD) or capitalised in the corporate ERP system.	The Regional Emergency Coordination Office should allocate resources and provide guidance for the recording of assets in AMD and their reconciliation to the corporate ERP system. <i>AMD was updated with the USD 802K worth of un-posted assets. Reconciliation of AMD and WINGS data was being performed on monthly basis.</i>	Implemented
19 Security: Opportunities for improvement in security management - The management of security for the regional emergency required some improvement to comply with UN Minimum Operating Security Standards (MOSS).	The Regional Emergency Coordination Office should 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. <i>The Food Security Sector has been updated. Security briefings have been held for all staff and an evacuation drill was held at the Amman compound. A Regional Field Security Officer was appointed to oversee and strengthen security-related matters in the region. Security Risk Assessment and MOSS documents for each CO participating in the Crisis have been updated.</i>	Implemented
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 HQ, WFP offices in donor countries and the field. <i>The RECO revised its fund raising strategy and aligned it with the revisions of SHARP and with the inter-agency Syria Refugee Regional Response Plan (RRP), and subsequent new Budget Revisions for 2014.</i>	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.	The Regional Emergency Coordination Office should 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. <i>An IT disaster recovery plan covering Syria and the surrounding countries was approved by the Regional Emergency Coordinator in December 2013. A test of the plan was performed in May 2014.</i>	Implemented

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)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 recognises 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).

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: Categorisation 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

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
BCCM	WFP’s Business Continuity and Crisis Management Programme
C&V	WFP Cash & Vouchers Programme
CD	Country Director
CFSME	Comprehensive Food Security Monitoring Exercise
CO	Country Office
COMPAS	WFP’s global commodity tracking application
CP	Cooperating Partner
EC	Emergency Coordinator
ED	WFP Executive Director
EMOP	Emergency Operation
FleetWave	WFP’s the corporate tracking tool for trucks and fuel
FPF	Forward Purchasing Facility
HQ	Headquarters
ICT	Information Communications Technology
LTC	Local Transport Committee
M&E	Monitoring & Evaluation
MOSS	United Nations Minimum Operating Security Standards
OED	Office of the Executive Director
OST	WFP’s Information Technology Division
PRC	Programme Review Committee
REC	Regional Emergency Coordinator
RECO	Regional Emergency Coordination Office
RITO	Regional IT Officer
RRP	Syria Regional Refugee Response Plan
SCM	Supply Chain Management
SHARP	Syria Humanitarian Assistance Response Plan
SOP	Standard Operating Procedure
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
VAF	Jordan Refugee Response Inter-Agency Vulnerability Assessment Framework
WINGS	WFP’s corporate Enterprise Resource Planning system
WFP	World Food Programme