Internal Audit of WFP Operations in Mali

Office of the Inspector General
Internal Audit Report AR/14/25

WFP

World Food Programme

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Internal Audit of WFP Operations in Mali

I. Executive Summary

Introduction

1.   As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Mali including follow-up on the implementation of the recommendations raised in an internal audit conducted in 2013. WFP's direct expenses in Mali in 2013 totalled USD 112.4 million, representing 2.6 percent of WFP's total direct expenses for the year. The audit focused on activities from 1 August 2013 to 31 July 2014. It included field visits to various locations in Mali and a review of related corporate processes that impact across WFP.

2.   The audit was carried out in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Audit Conclusions

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

Table 1: Summary of conclusions by Internal Control Components

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

Key Results of the Audit

Positive practices and initiatives

4.   The audit noted some positive practices and initiatives such as implementation of procedures for improved internal controls, significant efforts made to implement the previous audit recommendations, and visits made to transporters to validate their capacity. Unlike in the period covered by the previous audit, the Country Office (CO) appropriately managed to encourage and attract staff from other COs to move to Mali CO on a temporary basis (TDY) to fill the gaps resulting from long periods of absence of key staff. Significant efforts were made to improve security management in order to protect the safety and security of WFP staff and assets, and there was continuity of the operations during the move of the CO and some sub-offices to new locations.

Audit observations

5.   No high-risk observations arose from the 2014 audit. The audit report contains ten medium risk observations.

Actions agreed

6.   Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations in this audit and the outstanding recommendations arising from the 2013 audit. Work is in progress to implement the agreed actions.

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

Republic of Mali

8.   Mali is a landlocked country in West Africa, at the heart of the Sahel region, a semi-arid strip which runs across north of the continent, separating the Sahara desert to the north from the Sudanese savannah to the south. 69 percent of the population lives below the national poverty line, and more than one fifth of school-aged children do not attend school, three quarters of whom are girls according to the 2010 National Annual Statistics.

9.   Following a political coup in March 2012, the north of the country was occupied by non-state armed groups and effectively cut off from the south until a brief military intervention in January 2013. These events resulted in large scale population displacements. A United Nations peacekeeping mission was deployed to the country in July 2013 and a new President was elected in August 2013, followed by peaceful legislative elections.

10. The vulnerability of the population, who had yet to recover from the 2011/2012 drought, was heightened by the political and security crisis, especially in the north of the country. The analysis of food insecurity in post-harvest period in northern regions and the Sahelian belt of Mali (*enquête de Mise A Jour des Indicateurs de Sécurité Alimentaire - MAJISA)* showed that two out of five households were in moderate and severe food insecurity, particularly in the regions of Gao, Tombouctou and Kidal. However, the food situation at the time of the audit had improved compared to June and July 2013 (lean season). According to the *Cadre Harmonisé* (Framework for Harmonisation) prepared in March 2014, 1.5 million people were estimated to be in crisis or emergency phases in Mali with a forecast of 1.9 million people during the lean season (June and July 2014) if no assistance was provided.

WFP Operations in Republic of Mali

11. WFP has been present in Mali since 1964. WFP's emergency operations in Mali support the government in responding to the multi-dimensional complex emergency in the country. To mitigate the security constraints and staff movement restrictions in northern Mali and three districts in the Mopti region, WFP works with a monitoring partner who collects food security, household, nutrition and market data.

12. In parallel, the Country Programme continues to address chronic food insecurity of vulnerable people in areas of the south, with the implementation of development programmes. This is critical to safeguard the gains that were made throughout the previous years and ensure the link between development and emergency operations.

13. During the audit period, the CO managed and implemented the following projects:

- Emergency Operations (EMOP) 200525 - Assistance for Crisis-Affected Populations in Mali: for the period 2013 to 2014 with a budget of USD 351 million. The EMOP's specific objectives were to improve the food consumption of targeted food-insecure displaced and other conflict-affected communities, prevent acute malnutrition among children 6-59 months and pregnant and lactating women, and treat moderate acute malnutrition among children 6-59 months, and malnourished pregnant and lactating women. The funding of the project as of 16 October 2014 was USD 208 million and it aimed to reach 1.3 million beneficiaries.

- Country Programme (CP) 105830: for the period 2008 to 2014 with a budget of USD 138.2 million. The CP is aligned with the Government of Mali's Plan for the Sustainable Recovery of

Mali (2013-2014), the Government's Poverty Reduction Strategy Paper, and the United Nations Joint Framework to Support Transition in Mali. It contributes to Strategic Objectives 3 and 4 of the WFP Strategic Plan (2014-2017) through five components: support for basic education, rural development, food security, health and nutrition, and urban cash for assets. The funding of the project as of 16 October 2014 was USD 138.2 million and it aimed to reach 2.7 million beneficiaries.

- Special Operations (SO) 200521 - Provision of Humanitarian Air Services in Mali: for the period 2013 to 2014 with a budget of USD 16.6 million. The objectives of the project were to provide safe, efficient and cost-effective inter-agency air transport service for United Nations agencies, NGOs and donor organisations providing humanitarian assistance in Mali; to transport light cargo such as medical supplies, high energy foods and information and communications technology equipment; and to provide timely medical and security evacuations for the humanitarian community in Mali. The funding of the project as of 16 October was USD 14.8 million.

- Special Operations (SO) 200534 - Logistics Cluster and Emergency Telecommunications Cluster Support to the Humanitarian Community in Mali: for the period 2013 to 2014 with a budget of USD 5.5 million. The Special Operations was established to provide the humanitarian community in Mali with emergency telecommunications and logistics coordination mechanisms, means and common services needed to respond to the present crisis in Mali. The funding of the project as of 16 October 2014 was USD 2.7 million.

14. WFP's direct expenses in Mali in 2013 totalled USD 112.4 million, representing 2.6 percent of WFP's total direct expenses for the year.

Objective and Scope of the Audit

15. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of WFP's operations in Mali. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes.

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

17. The scope of the audit covered WFP's operations in Mali from 1 August 2013 to 31 July 2014. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work took place from 15 September 2014 to 3 October 2014 in Bamako and various other locations in Mali.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

1. Internal Environment

- Unlike in the period covered by the previous audit, the CO appropriately managed to encourage and attract staff from other COs to move to Mali CO on a temporary basis (TDY) to fill the gaps resulting from long periods of absence of key staff.
- Continued operations during the move of the CO and some sub-offices to new location.
- The CO made significant efforts to improve their security management in order to protect the safety and security of WFP staff and assets.

2. Control Activities

- The CO implemented procedures for improved internal controls and made significant efforts to implement the previous audit recommendations.
- The CO conducted visits to transporters to validate their capacity.

19. Having evaluated and tested the controls in place, and with consideration of the context of the country, the Office of Internal Audit has come to the following conclusions on the residual risk related to the processes:

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

Internal Control Component/ Business Process		Risk (Country Office)
1.	Internal environment	
	Corporate organisational and reporting structure	Low
	Delegated authority	Low
	Strategic planning and performance accountability	Low
	Assurance statement	Low
2.	Risk management	
	Enterprise risk management	Low
	Emergency preparedness and response	Medium
3.	Control activities	
	Finance and accounting	Medium
	Programme management	Low
	Transport and logistics	Medium
	Commodity management	Low
	Procurement – Food and Non-Food	Medium
	Human resources	Medium
	Property and equipment	Low
	Administration and travel	Low
	Security	Low
	Resource Management	Medium
	Information and Communications Technology	Low
4.	Information and communication	
	Internal Communication	Low
	External Communications	Low
5.	Monitoring	
	In-country Monitoring	Medium

20. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**[1].

21. No high-risk observations arose from the audit. The audit report contains ten medium risk observations. The audit also reviewed the implementation of the audit recommendations made in the 2013 audit report and concluded that 8 out of 11 recommendations had been implemented. Observations pertaining to the audit conducted in 2014 are presented in Table 4. Observations regarding the audit conducted in 2013 are presented in Table 5.

Action agreed

22. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations. Work is in progress to implement all the agreed actions[2].

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

[2] Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 4: Medium-risk observations from the 2014 audit

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Control Activities						
1	**Finance and Accounting:** Processing of payment – The CO did not maintain a clear audit trail to confirm that the quality and quantity for Transport Services had been properly certified before processing payment.	The Country Office will implement a procedure to ensure that documentation evidencing complete delivery of services/goods is submitted to the Finance unit before processing payment.	Compliance Processes and Systems Institutional	Compliance	Mali Country Office	31 December 2014
2	**Transport and Logistics:** Tariff system implementation and management – The CO has implemented the tariff system for transport contracting since 2013. However, the CO did not take the following steps as required by the Transport Manual such as: (a) renegotiation of the price with the transporters; (b) review and estimation of the lowest cost to transport the commodity offered by the transporters; (c) establishment of cargo allocation criteria between the transporters; (d) submission of the monthly cargo allocation to the Local Transport Committee for review and subsequently to the Country Director for her approval; and (e) penalty for late delivery of commodities were not collected from the transporters even though such penalties were required per contracts signed with the transporters.	The Country Office will: Review the effectiveness of the tariff system and evaluate as to whether normal transport contracting may be more effective in the environment in Mali. If the CO decides to use the tariff system, then it will comply with the Transport Manual, and implement a procedure to ensure that appropriate penalties on late deliveries are collected from transporters, as stated in the contracts.	Operational Processes and Systems Institutional	Guidelines	Mali Country Office	31 March 2015

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
3	**Transport and Logistics :** Management of Air Operations – Weaknesses noted included: Absence of formal agreement with the Government regarding the United Nations Humanitarian Air Service (UNHAS) operations; absence of formal agreements with Non-Governmental Organisations (NGO) using the UNHAS operations; absence of cost benefit analysis when establishing the booking fee; inconsistent collection procedure on booking fees leading to late payments by some UNHAS users and resulting in funding challenges; and delays to implement the recommendations of a quality assurance evaluation mission from headquarters.	The Country Office will: a) Negotiate with the Government a formal agreement, (b) require the NGOs to sign formal agreements, (c) establish and implement procedures to monitor UNHAS funds, including a process to improve controls over UNHAS advances and receivables, and (d) implement the recommendations of the quality assurance evaluation mission.	Compliance Processes and Systems Institutional	Guidance	Mali Country Office	15 June 2015
4	**Procurement:** Weaknesses in Food procurement – The CO did not maintain documentation to support the sources of food specifications used. Moreover, the specifications used by the Superintendent, when verifying the quality of the food before delivery by the suppliers, were not always the same as those stated in the contract signed with the CO.	The Country Office will: a) Ensure that required and approved food commodity specifications are used and have relevant documents on file for ease of reference, and (b) ensure that the Superintendent applies the same specifications communicated by the CO for the quality analysis of locally purchased food commodities.	Operational Processes and Systems Institutional	Guidance	Mali Country Office	31 January 2015

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
5	**Non-food procurement:** Weaknesses noted included – (a) cases of vendors who were invited to bid while not being in the CO approved roster, and cases of registered vendors who were not invited to bid; (b) the Notes For the Record (NFR) of the Local Non-Food Procurement Contract Committee (LNFPCC) did not systematically contain all key information on the procurement selection process; (c) cases of Purchase Orders for services with missing supporting contracts to confirm contracting conditions that were included in the Request for Quotation are; (d) cases of delivery and payment without adequate supporting documents; and (e) absence of formal evaluation of performance of service providers upon completion of service delivery.	The Country Office will ensure that: (a) the selection of vendors invited to bid is justified and properly documented; (b) the NFRs of the LNFPCC contain all key information on the procurement selection process; (c) contracts are signed with the service providers as appropriate; (d) delivery of services and subsequent payments are properly supported and documented; and (e) evaluation of vendor's performance is conducted upon completion of delivery of services/goods.	Operational Processes and Systems Institutional	Compliance	Mali Country Office	31 December 2014
6	**Human Resources (HR):** Staff recruitment and salary scales – Weaknesses noted included: absence of formal request for recruitment submitted by the hiring manager to the HR unit before the start of the hiring process; in some cases, conversion of Special Services Agreements (SSAs) to Service Contracts (SCs) without a competitive recruitment process; the personnel files did not consistently contain evidence of background checks, and evidence of verification of educational documents submitted by the staff; the CO did not perform checks against the list per the UN1267 Resolution. The HR position was vacant for some part of the audited period. It was filled on 30 November 2013, which should bring improvement on the above issues.	The Country Office will: a) Set-up procedures to ensure a transparent hiring process, (b) develop procedures to ensure that documents submitted by the recruited staff are properly validated, and (c) ensure that newly recruited staff are vetted against the list per the UN1267 Resolution.	Operational People Institutional	Compliance	Mali Country Office	31 March 2015

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
7	**Human Resources:** Corporate Emergency Roster **-** The Office of the Executive Director (OED) circular on the WFP Emergency Response Roster (ERR) (OED2014/008) stated that "once a staff member is registered in the ERR, he/she will be deployed by the corporate roster cell" and that "Managers cannot under any circumstances refuse to release the staff". The OED circular does not address the need for further approval by new supervisors upon reassignment of staff previously registered in the ERR.	Human Resources Division (HRM), in coordination with the Office of the Executive Director, will review the OED Circular to determine if there is a need to include a section that requires newly re-assigned staff to obtain further approval from their new managers in order to remain in the ERR.	Operational Processes and Systems Programmatic	Guidance	Human Resources Division	31 March 2015
8	**Resource Management:** Monitoring and committing of funds – In order to maximise the use of funds and in order for the Cooperating Partners (CPs) to implement the programme activities, the CO provided advance payments to CPs. The CO monitored the advances given to CPs but did not monitor if the distribution costs for commodities dispatched to the CPs were within the advances provided to the CPs, thus there was a risk that funds may not be available to honour the CPs' invoices for actual distributions. A number of Purchase orders were created between 17 and 67 days after the signing of the Field Level Agreements (FLA) and the CPs started to implement the activities before signing the FLAs.	The Country Office will: a) Strengthen the monitoring of commodities delivered to the CPs and the advances paid in order to ensure that adequate funds are available and committed on time for distribution of commodities; (b) ensure that Purchase Orders are raised as soon as the FLAs are signed; and (c) ensure that dispatch of food commodities to the CPs start only after the FLAs are signed.	Operational Process and Systems Institutional	Compliance	Mali Country Office	31 January 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Monitoring					
9 **Monitoring:** Contract with third-party monitors **–** The following weaknesses were noted: (a) significant delay in the finalisation of the contract with the third party monitors resulted in the absence of monitoring activities for one month (February 2014) in the northern regions and in the WFP non-accessible areas in the Mopti region; (b) the third party monitors started distribution monitoring and post-distribution monitoring before actual signature of the contract, with some of the monitoring activities in areas outside the scope of the contract.	The Country Office will ensure that future contracts will be timely prepared and signed, and that third party monitoring partners perform monitoring activities only in areas that are agreed upon in the contract.	Compliance Processes and Systems Programmatic and Institutional	Compliance	Mali Country Office	31 March 2015
10 **Monitoring:** Resolution of issues identified by Third Party Monitors - Some issues identified and reported by the Third Party Monitors were not addressed for a number of months. The CO explained that this resulted from various challenging factors including security, and the resource capacity of the CPs.	The CO will reinforce follow-up with the CPs on the actions taken towards a timely resolution of problems including the strengthening of the CPs' resource capacity.	Operational Processes and Systems Programmatic and Institutional	Guidance	Mali Country Office	31 December 2015

Table 5: Results of follow-up on 2013 audit recommendations
High risk recommendations

	Observation	Recommendation/Management response and actions undertaken	Audit verification conclusion
	Internal Environment		
1	**Corporate organizational and reporting structure:** Senior management and staffing structure - During 2012 and most of the first half of 2013, the size and staffing structure of the country office was mainly left as it was in 2011, when the size of operations was almost ten times smaller. There was no significant increase in the number of staff, relatively junior staff were in key positions and staff were heavily centralized the main office in Bamako. This was partly because the positions of Country Director, Deputy Country Director and Head of Finance were vacant for over eight months, with responsibility for the office allocated to staff on temporary secondment from other WFP operations.	Ensure that the current staffing of the Country Office is aligned to the forecasted activity plan and that the organizational structure is reviewed to avoid un-necessary centralization in the main office. *The CO staffing was strengthened from 159 in August 2013 to 240 in April 2014 to match the scale up of activities. International staff were recruited to head Sub-offices in Gao (P4), Tombouctou- P4 and Mopti P4 among others. A new organigrame for the office was prepared to reflect this increase. A staffing review exercise was undertaken in 2014.*	Implemented
	Control Activities		
2	**Finance and Accounting:** Recording of liabilities - Due to errors in budgeting of programme implementation costs, the country office was unable to record all of the liabilities for services rendered by cooperating partners.	Perform a detailed analysis to determine the causes of the budget error, correct them to ensure prompt recording of all liabilities and establish controls to ensure prompt payment to all cooperating partners and other creditors. *A Technical Budget Revision was done, approved by the Regional Director on 19 September 2013 and reflected in WINGS. Liabilities are obligated in tranches as soon as agreements are signed and expenditure recognised through Service Entry Sheets as they are incurred. There were no backlogs in terms of payment of Cooperating partners' invoices. In addition to the Budget Revision, the CO designed a spreadsheet to monitor liabilities and to ensure that liabilities with the CPs were recorded in WINGS.*	Implemented
3	**Security**: Compliance - the Country Office was not compliant with minimum United Nations security measures in several areas.	Strengthen security management and ensure full and prompt compliance with UN Minimum Security requirements. *The CO took action to strengthen security in terms of capacity, location and other security preparedness measures.*	Implemented

Medium risk recommendations

	Observation	Recommendation / Management response and actions undertaken	Audit verification conclusion
	Enterprise Risk Management		
4	**Enterprise Risk Management:** Accuracy and completeness - The risks associated with the scale-up of activities in 2012 and the challenges faced by the Country Office (e.g. staffing difficulties, high turn-over of senior management, etc.) were not reflected in the 2012 and 2013 risk registers, nor were they clearly highlighted in the 2012 assurance statement. If risks are not accurately recorded they cannot be properly monitored and it becomes more difficult to take mitigating actions and, if appropriate, to escalate residual risks to the Regional Bureau and Headquarters in Rome.	Ensure that the Risk Register and Assurance Statements reflect actual key risks. *The Risk Register was updated to reflect the actual risks and consolidated to reflect all key risks identified by the country office.*	Implemented
5	**Emergency Preparedness and Response:** Accuracy and completeness **-** The Country Office Emergency Preparedness and Response Plan package (EPRP) was finalized in early 2012 but was not updated to reflect critical developments that impacted the Plan. Some of the minimum mandatory actions that needed to be completed because of the security situation in the country were still outstanding (e.g. EPRP packages for each sub-office, consultant's roster, etc.).	Review and update the current EPRP package and ensure that all mandatory actions are promptly completed. *The CO was implementing the EPRP tool at both national and regional level. As in June 2014, four out of the six sub-offices had started the implementation of the Minimum Preparedness Actions. At the Country office level, 82 percent of the actions were completed. At the Country Office level, an EPRP working group was created, an EPRP focal point nominated and regular monitoring implemented with regular and timely submission of the early warning matrix to the EPRP units in Dakar.* *At the Sub national office level, online training and supporting mission by National focal points in four sub offices (out of six, two others are planned) were organised. The Minimum Preparedness Actions are implemented in Gao, Mopti, Koulikoro and Kayes sub offices.*	Partially implemented. New target implementation date: 31 December 2014
6	**Finance and Accounting:** Compliance - Weaknesses found included, but were not limited to, the following areas: year-end accruals, the management of bank signatures, closure of old projects, vendor confirmation management, monitoring of grant expiry dates, segregation of duties regarding UNHAS income recording. The process weaknesses increase the risk of inaccurate reporting and of fraud.	Develop an action plan to review the finance unit's staffing and operational structure and to address the identified weaknesses. *The Finance and Administration unit was strengthened in terms of staffing. Segregation of duties was implemented.* *The date to roll out Accounts Receivable management in UNHAS was yet to be confirmed with the Aviation unit in HQ. The CO still needs to address (a) the monitoring of UNHAS receivables and (b) the management of and the process of depositing performance bonds to the bank.*	Partially implemented. New target date of implementation. 31 March 2015

Observation		Recommendation / Management response and actions undertaken	Audit verification conclusion
7	**Programme Management**: Cash and vouchers - The Country Office did not perform reconciliations between theoretical beneficiaries and actual recipients of cash transfers through mobile phones, increasing the risk of potential fraud going undetected.	Strengthen controls for cash distributions through mobile phones. *The CO worked with the vendor to ensure that the mobile system reports are compared to the WFP beneficiaries list which is sent to the partner.* *A new project including Cash for urban work started in August 2014 and Standard Operating Procedures were developed including steps on the reconciliation as recommended by the audit.*	Implemented
8	**Transport and Logistics:** Selection of suppliers - Weaknesses were found in the tendering process, contracting of transporters, and in the evaluation of their performance. Some of the observations were the result of having to operate in emergency mode.	Strengthen compliance with WFP rules and regulations regarding transport and logistics. *Standard Operating Procedures were put in place. An overall performance evaluation for all transport companies Inland/Overland was undertaken. The tendering process, contracting and performance evaluation of transporters had been strengthened.*	Implemented
9	**Commodity Management:** Stock counts and reconciliations - Weaknesses found included: the frequency and lack of segregation of duties in stock counts and the lack of regular reconciliations between dispatches as per WFP's stock records and receipt confirmations from cooperating partners.	Strengthen compliance with WFP rules and regulations regarding commodity management. *Additional staff capacity was established in Mopti. With the decentralisation of the commodity accounting system in GAO, Tombouctou, Mopti and Kayes the workload of Bamako station decreased avoiding congestion of data entries. The CO developed and implemented standard operating procedures for stock counts. The CO also established a physical inventory committee to perform and monitor stock counts.*	Implemented
10	**Procurement:** Rosters and evaluation of suppliers - Both the food and the non-food procurement units were found to have common weaknesses, such as lack of formal procurement plans, out-of-date supplier rosters and lack of formal year-end evaluation of supplier performance. Additional errors were found in non-food procurement, including errors in the type of purchase orders used and lack of validation by the local procurement committee of tendering carried out at sub-office level. These process weaknesses increase the risk of fraud in the procurement processes.	Strengthen compliance with WFP rules and regulations regarding procurement. *A Formal Procurement Plan was prepared, an update of the roster was ongoing at the time of the audit as well as the evaluation of the performance of suppliers* *–For NFI Procurement, the structure was reviewed a formal Procurement Plan put in place, a bid Opening committee for Mopti Sub-Office established, as well as an updated roster. The 2014 audit did not find any errors in PO types or any cases of ex-post POs.* *The evaluation of performance of suppliers had not yet been performed at the time of the audit.*	Partially implemented. New target implementation date 31 December 2014

Observation	Recommendation / Management response and actions undertaken	Audit verification conclusion
Monitoring		
11	**Programme monitoring and evaluation:** Accuracy and completeness of data – There were un-reconciled differences between distribution data in the M&E system and data reported in the project's annual standard report, possibly due to late submissions of distribution reports by cooperating partners. There was no system to follow-up properly on recommendations made to cooperating partners on weaknesses observed by WFP staff or third-party monitors during or after distributions.	Strengthen the reconciliation of distribution data and follow-up of post distribution monitoring results. *Sub-offices capacity was strengthened with additional staff and training, the checking of the beneficiaries' lists and distributions reports of Cash & Vouchers was improved, and a system to track the recommendations made by distribution and post-distribution missions was put in place.* *No differences between the amounts of distributions in Standard Project Reports, the M&E database and COMPAS Distribution report were noted during the 2014 audit.*	Implemented

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 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[3] and the Standards of the Institute of Internal Auditors

1	Strategic:	Achievement of the organisation'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.

[3] 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 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. 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.[4]

Table A.4: Categorisation 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 observations identified are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

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

5. Monitoring the implementation of agreed actions

A 8.   The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions will be verified through the Office of Internal Audit's system for the monitoring of the implementation of agreed actions. 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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[4] 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

CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Cooperating Partners
EPRP	Emergency Preparedness and Response Package
ERR	Emergency Response Roster
HRM	Human Resources Management Division
IO	International Organisation
IPSAS	International Public Sector Accounting Standards
LNFPCC	Local Non-Food Procurement Contract Committee
MAJISA	Mise A Jour des Indicateurs de Securite Alimentaire
NGO	Non-government Organisation
OED	Office of the Executive Director
SC	Service Contract
SO	Special Operation
SSA	Special Service Agreement
TDY	Temporary Duty
UN	United Nations
UNHAS	United Nations Humanitarian Air Service
WFP	World Food Programme