

# Internal Audit of WFP Operations in Afghanistan

Office of the Inspector General  
Internal Audit Report AR/15/04



**World Food Programme**

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# Internal Audit of WFP Operations in Afghanistan

## I. Executive Summary

### Introduction

1. As part of its annual work plan for 2014, the Office of Internal Audit conducted an audit of WFP operations in Afghanistan. WFP's direct expenses in Afghanistan in 2013 totalled USD 163.8 million, representing 3.8 percent of WFP's total direct expenses for the year. The audit focused on activities from 1 September 2013 to 31 August 2014, and looked at events prior and subsequent to this period as required. It included visits to various locations in Afghanistan and a review of related corporate processes that impact across WFP.

2. The audit was conducted 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	Medium	
2. Risk management	Medium	
3. Control activities	Medium	
4. Information and communication	Low	
5. Monitoring	High	

### Key Results of the Audit

#### Positive practices and initiatives

4. The audit noted some positive practices and initiatives. These included: close monitoring actions taken on issues raised from the beneficiary feedback hotline including comprehensive monthly reporting; improvement of consistency and completeness of compliance reviews via the development of standard checklists; improved resource and budget monitoring following development of a simple monthly one-page resource management report which projects resource shortages based on projected contributions and expenditure; implementation and roll-out of the ACCESS project to facilitate operations in higher security risk areas; improvement in security communications via the introduction of a digital radio system; and various initiatives on greening projects introduced by the ICT Unit.

#### Audit observations

5. The audit report contains two high-risk and twelve medium-risk observations. The high-risk observations are:



**Programme management: Children engaged to work on a Food for Assets project** – The audit visited a project which involved the provision of manual labour by beneficiaries on a community-based project in exchange for food rations, and observed that a limited number of beneficiaries working on the project were children. Discussions with the local District Development Assembly and the Cooperating Partner (CP) indicated an awareness that children should not be engaged to work. However, it was reported that the families of these children had no other means of obtaining their food requirements. The Afghanistan Country Office (CO) has agreed that, in conjunction with, CPs the policy that no children under the minimum working age should be engaged on projects involving manual or other labour will be reinforced. Furthermore the CO will investigate whether there are gaps in the provision of assistance to families requiring children to work; in such cases consideration will be given to providing assistance via alternative means.

**In-country monitoring: Implementation of monitoring plan** –The audit noted that the CO Monitoring Matrix and Sample Table, which linked the strategic objectives of the CO to the required indicators to be measured, was not used at a field level in area and sub-offices. The actual rate of M&E implementation compared to the CO plan was significantly lower than the reported implementation rate of 69 percent obtained by comparing actual M&E results with field level plans, partly due to the limited number and capacity of third-party monitors. The CO has agreed to implement a procedure to ensure that there is a linkage between the CO M&E plan and the field level M&E plans in area and sub-offices, and to compare overall CO M&E targets with actual implementation figures; this will include a process to incorporate input on the feasibility of targets into the CO M&E plan. The CO has also agreed to review factors impacting the low M&E implementation rate and introduce measures to improve the level of achievement.

## **Actions agreed**

6. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations and work is in progress to implement the 15 agreed actions.
7. The Office of Internal Audit would like to thank managers and staff for the assistance and cooperation accorded during the audit.

A handwritten signature in blue ink that reads 'D Johnson'.

**David Johnson**  
Inspector General

## II. Context and Scope

### Afghanistan

8. Afghanistan faces enormous recovery needs after more than three decades of war, civil unrest, and recurring natural disasters. Despite recent progress, millions of Afghans still live in severe poverty amid crumbling infrastructure and a landscape riddled with mines. WFP supported the Afghan Central Statistics Office in the analysis of data for the National Risk and Vulnerability Analysis (NRVA) 2011/2012. The NRVA data indicates that 7.6 million people are food insecure, and 5.3 million are also protein deficient. Approximately 400,000 people are seriously affected each year by local natural disasters, such as drought, floods, earthquakes and extreme weather conditions.

### WFP Operations in Afghanistan

9. WFP has been present in Afghanistan since 1963. In addition to the main country office in Kabul WFP has six offices in other locations in the country, and as of September 2014 employed 506 staff (including 44 international staff members). During the period audited WFP's assistance in Afghanistan focused on various activities including emergency food assistance, assets creation, training activities, and nutrition programmes through targeted supplementary feeding. Over the life of currently implemented projects, WFP anticipates assisting 3.7 million beneficiaries.

10. The main activities in the period audited comprised:

- *Protracted Relief and Recovery Operation (PRRO 200063): Relief Food Assistance to Tackle Food Security Challenges*. This project ended operations in December 2013. During the period of operation the aims of the project were to provide humanitarian food assistance to vulnerable people to save lives in crises, and recovery assistance to enhance resilience. Project activities were also prioritised which developed the capacity to create and rehabilitate community assets, in an effort to strengthen recovery and build resilience among vulnerable communities.
- *Protracted Relief and Recovery Operation: Assistance to Address Food Insecurity and Under-nutrition (PRRO 200447)*. This project, which commenced in January 2014, aims to respond to the food-security and nutritional needs of very severely and severely food insecure people in the country, including internally displaced persons and returnees, people affected by natural disasters and economic stress, moderately malnourished children under 5 and pregnant and lactating women. Under its recovery assistance, WFP supports the recovery of communities affected by shocks and contributes to learning among primary and lower secondary school pupils through take-home rations, and adults, particularly women, through training activities.
- *Special Operation: Provision of Humanitarian Air Services in Afghanistan (SO 200360 and SO 200639)*. This project aims to provide safe and efficient air transport services for the humanitarian community throughout Afghanistan and to Islamabad. Three aircraft are operated serving 25 locations.

11. WFP's direct expenses in Afghanistan in 2013 totalled USD 163.8 million, representing 3.8 percent of WFP's total direct expenses for the year.

### Objective and scope of the audit

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



13. The audit was carried out in accordance 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 a risk-assessment exercise carried out prior to the audit.

14. The scope of the audit covered WFP's operations in Afghanistan for the period from 1 September 2013 to 31 August 2014. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field visit took place between 3 and 20 November 2014, and included visits to various locations in Afghanistan including Kabul, Mazar-e-Sharif and Faizabad.

### III. Results of the audit

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

**Table 2: Positive practices and initiatives**

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#### 1. Internal environment

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- Development by the Compliance Unit of standard checklists to ensure completeness and consistency of compliance reviews.
  - Thorough completion of internal control self-assessment checklists and development of action points in the period under review.
  - Comprehensive monthly reporting of feedback and complaints received and actions taken in respect of the beneficiary feedback hotline.
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#### 2. Risk management

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- Completion of the CO risk register involved organisation-wide input obtained from a workshop attended by all relevant staff and management including representatives from all area and sub-offices.
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#### 3. Control activities

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- Development of a one-page resource management report to highlight available and projected funding and provide a monitoring overview of all budget categories.
  - Proactive management of the financial dashboard, resulting in only one long outstanding item on the dashboard which was known by the CO.
  - Implementation of the ACCESS strategy aimed at providing WFP access to operate in higher risk contexts by employing soft security strategies, particularly community acceptance (through effective, proactive engagement) and humanitarian negotiations.
  - Production of a periodic "talking points" sheet to provide all CO staff with an awareness of key donor and funding related issues.
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#### 4. Information and communication

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- Improvement of security communications by implementation of a digital radio system to replace the previous VHF system, including training of other agencies in Afghanistan.
- Implementation by the CO ICT Unit of various initiatives on greening projects.

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

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

Internal Control Component/Business Process	Risk
<b>1. Internal environment</b>	
Corporate organisational and reporting structure	Medium
Strategic planning and performance accountability	Low
Delegated authority	Medium
Assurance statement	Low
<b>2. Risk management</b>	
Enterprise risk management	Medium
Emergency preparedness and response	Low
<b>3. Control activities</b>	
Finance and accounting	Medium
Programme management	High
Transport and logistics	Low
Commodity management	Low
Procurement	Medium
Human resources	Low
Property and equipment	Low
Administration and travel	Low
Security	Medium
Mobilise resources	Low
<b>4. Information and communication</b>	
Information and Communications Technology	Low
External communication	Low
Internal communications	Low
<b>5. Monitoring</b>	
In-country Monitoring	High
Corporate Monitoring	Low

17. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**<sup>1</sup>.

18. The audit report makes two high-risk observations, which are explained in detail in Section IV of this report. Twelve medium-risk observations arose from the audit. Tables 4 and 5 present the high and medium-risk observations, respectively.

### Action agreed

19. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations and work is in progress to implement the agreed actions<sup>2</sup>.

<sup>1</sup> See Annex A for definitions of audit terms.

<sup>2</sup> Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 4: High-risk observations

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
1 <b>Programme management:</b> Children engaged to work on a Food for Assets project – The audit visited a food for assets project which involved the provision of manual labour by beneficiaries on a community-based project in exchange for food rations, and observed that a limited number of beneficiaries working on the project were children. Discussions with the local District Development Assembly and the CP indicated an awareness that children should not be engaged to work. However, it was reported that the families of these children had no other means of obtaining their food requirements.	The CO will: (a) In conjunction with CPs reinforce the policy that no children under the minimum working age should be engaged on projects involving manual or other labour. (b) Investigate whether there are gaps in the provision of food assistance to families requiring children to work. In such cases, consideration will be given to providing assistance via alternative means.	Compliance Programmes Programmatic	Compliance	Afghanistan Country Office	30 June 2015
<b>Monitoring</b>					
2 <b>In-country monitoring:</b> Implementation of monitoring plan – The audit noted that the CO had an M&E plan comprising a Monitoring Matrix and Sample Table, which linked the strategic objectives of the CO to the required indicators to be measured. However the CO M&E plan was not used at a field level in area and sub-offices as the basis for M&E implementation, and was not used as the basis upon which to compare actual M&E results with those planned. The actual rate of M&E implementation compared to the CO plan was significantly lower than the reported implementation rate of 69 percent obtained by comparing actual M&E results with field level plans. The audit noted that this was partly attributable to the limited number and capacity of third-party monitors.	The CO will: (a) Implement a procedure to ensure that there is a linkage between the CO M&E plan and the field level M&E plans in area and sub-offices, and to compare overall CO M&E targets with actual implementation figures. This will include a process to incorporate input on the feasibility of targets into the CO M&E plan. (b) Review factors impacting the low M&E implementation rate and introduce measures to improve the level of achievement.	Reporting Programmes Programmatic	Guidelines	Afghanistan Country Office	30 September 2015

Table 5: Medium-risk observations

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Internal Environment</b>					
<p>3 <b>Corporate organisational and reporting structure:</b> Agreements with the host government – The audit reviewed agreements with the host government and noted that the Basic Agreement (BA) dates from 1969 and may no longer be relevant and/or usable, and that there was no letter of understanding or agreement in place for the United Nations Humanitarian Air Services (UNHAS) operations.</p> <p>The absence of agreements with the host government may give rise to a lack of clarity on issues including exemption from taxation, particularly if new taxes are introduced in Afghanistan.</p> <p>The WFP Legal Unit further indicated that there is a residual risk that WFP may have to argue the BA's applicability in case of a serious disagreement with the Government concerning an incident involving Privileges and Immunities coverage.</p>	<p>The CO will:</p> <p>(a) Investigate the need and possibility for revision of the Basic Agreement.</p> <p>(b) Pursue agreement of letters of understanding for current projects.</p> <p>(c) Assess the risk of exposure to liability to taxation and the extent to which this can be mitigated or avoided by inclusion of exemption in the BA and /or project LoUs, or the need for it to be raised within a UN-wide response jointly with other UN-organizations operational in Afghanistan.</p>	<p>Compliance</p> <p>Partnerships</p> <p>Contextual</p>	<p>Compliance</p>	<p>Afghanistan Country Office</p>	<p>30 September 2015</p>
<p>4 <b>Delegated authority:</b> Delegations of authority – The audit noted instances where the granting and application of delegated authority in the CO differed from that required by corporate guidance. In particular there were numerous instances of the Deputy Country Directors (DCDs) exercising the delegated authority of the Country Director (CD) in cases where the CD was present in the country and the DCDs were not acting as officer-in-charge. The DCDs had also been delegated authority to approve purchases of certain items contrary to corporate guidance.</p>	<p>The CO will either:</p> <ul style="list-style-type: none"> <li>Comply with the corporate delegations of authority; or</li> <li>If considered necessary in the operational context of the CO, request the Executive Director to approve that the CD may sub-delegate specific authority to the DCDs.</li> </ul>	<p>Compliance</p> <p>Processes &amp; Systems</p> <p>Institutional</p>	<p>Compliance</p>	<p>Afghanistan Country Office</p>	<p>30 June 2015</p>



Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Risk Management</b>					
5 <b>Enterprise risk management:</b> Risk management and monitoring of mitigating actions – The CO risk register did not incorporate risks relating to UNHAS operations or to procurement activities. Moreover, mitigating actions in respect of risks included in the risk register were in many cases framed in broad terms and without specific target dates, potentially limiting the extent to which implementation of these actions could be monitored.	The CO will carry out a revision of the risk register: (a) Incorporating into the register of risks relating to UNHAS operations and to procurement activities; and (b) Reframing of mitigating actions in specific terms and with specific due dates to facilitate assessment of implementation where necessary.	Compliance Processes & Systems Institutional	Compliance	Afghanistan Country Office	31 March 2015
<b>Control Activities</b>					
6 <b>Finance and accounting:</b> Payments for goods and services received or rendered in Afghanistan – A presidential decree was issued several years ago requiring that all goods and services received or rendered in Afghanistan be paid for in local currency, and stating that fines will be applicable for any breaches of the decree. The audit noted that the CO makes payments for several substantial contracts in USD rather than local currency; whilst it is assumed that this is common practice and that there is minimal risk of actual application of the decree, there is no conclusive assurance that this is actually the case, particularly given the recent change of government.	The CO will review the necessity for compliance with the decree referred to opposite, and will make an assessment of potential liabilities associated with non-compliance. If it is concluded that compliance is necessary, then amendments to payment methods will be negotiated and implemented accordingly.	Compliance Processes & Systems Contextual	Compliance	Afghanistan Country Office	31 March 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<p>7 <b>Programme Management:</b> Weaknesses in the implementation of cash and voucher (C&amp;V) activities – The audit noted numerous weaknesses in the implementation of activities using vouchers as a transfer modality, including in particular the lack of procedures detailing the responsibilities of units within the CO for C&amp;V implementation, and lack of compliance with relevant corporate guidance. The audit also noted instances of inadequate physical security and controls in respect of unused vouchers, and instances of inadequate segregation of duties relating to voucher distribution, recording and reconciliation.</p> <p>Starting November 2014, a qualified international C&amp;V Officer is working on strengthening C&amp;V processes.</p>	<p>The CO will develop standard procedures and strengthen controls regarding C&amp;V activities including:</p> <p>(a) Enhancing the Operations Manual to include procedures detailing the roles and responsibilities of units within the CO in respect of C&amp;V, ensuring that appropriate segregation of duties is built into processes; and</p> <p>(b) Implementation of appropriate physical security and controls in respect of unused vouchers.</p>	<p>Compliance</p> <p>Processes &amp; Systems</p> <p>Programmatic</p>	<p>Compliance</p>	<p>Afghanistan Country Office</p>	<p>30 June 2015</p>
<p>8 <b>Programme Management:</b> Issues regarding the gender strategy of the CO – The CO shares a Gender and Protection Officer position equally with another country office; the officer alternates every three weeks between Afghanistan and the other office. The audit noted that this level of resourcing may not be sufficient to address gender issues within the CO and the targets contained in current projects, and that the pattern associated with the shared position leads to interruptions in progress which impact efficiency and achievement of objectives. The audit also noted that there is a lack of evidence of mainstreaming of gender issues within the CO including: a low rate of attendance by CO staff at gender and protection trainings, including amongst senior staff; no consistent approach to train CPs and third-party monitors in gender and protection issues; no systematic and consistent collection of data to measure achievement of gender-related objectives within current project plans.</p>	<p>Bearing in mind the culture and environment in the country the CO will:</p> <p>(a) Consider resourcing a full-time Gender and Protection Officer position.</p> <p>(b) Encourage all staff to attend gender and protection training.</p> <p>(c) Provide training to CPs and third-party monitors relevant to their work.</p> <p>(d) Establish a more systematic approach to collection of data relating to achievement of gender-related targets contained within current projects.</p>	<p>Strategic</p> <p>Programmes</p> <p>Programmatic</p>	<p>Guidance</p>	<p>Afghanistan Country Office</p>	<p>30 June 2015</p>

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
9 <b>Programme management:</b> Weaknesses in the implementation of Purchase for Progress (P4P) activities – The audit reviewed procedures relating to the management and implementation of P4P activities and noted several weaknesses including: use of one CP for the majority of implementation without continued efforts to consider other CPs; lack of clarity and appropriate guidance regarding contracting between the CP and suppliers; and inconsistencies in allocation of expenditure to P4P projects.	The CO will review mechanisms for the oversight of P4P activities within the CO to ensure that standard procedures are followed and appropriate guidance is sought and provided in respect of weaknesses identified.	Compliance Processes & Systems Institutional	Compliance	Afghanistan Country Office	30 June 2015
10 <b>Programme management:</b> Inconsistencies in contract arrangements relating to a P4P project – The audit reviewed the contractual arrangements specified in the donor and CP agreements for a particular P4P project and noted several inconsistencies. These included differences in specified payment terms between donor and CP contracts, as to whether payments to the CP should be made in arrears subsequent to the CP incurring costs or as stage payments in advance of the CP incurring costs, and differences in WFP’s specified responsibilities in relation to procurement for the project. The audit also noted inconsistency in the recording of stage payments made in advance of the CP incurring costs for the project in the accounting system.	The CO will conduct a review to ensure consistency between the donor and CP agreements and ensure that requirements and terms of the agreements are consistently followed. The mechanism for recording payments to the CP under the agreements will be reviewed to ensure it reflects the requirements of the agreements and complies with corporate requirements.	Compliance Processes & Systems Institutional	Compliance	Afghanistan Country Office	31 March 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<p>11 <b>Procurement:</b> Supplier sourcing and vendor background checking – The audit conducted sample testing of procurement transactions and noted several areas in which procedures followed by the CO did not conform to standard requirements. These areas included the following: at the time of review the CO had not established a food suppliers’ roster; lack of background documentation on non-food suppliers as required; and a list of blacklisted vendors was not maintained. The audit also noted potential lack of clarity in conducting checks for sanctioned vendors against the UN 1267 list.</p>	<p>The CO will strengthen procedures for supplier sourcing and vendor background checking, including: carrying out sourcing of potential food suppliers in accordance with relevant guidelines; aligning with relevant guidance procedures for assessing potential suppliers and carrying out background checks including adequate documentation thereof; developing and maintaining a list of blacklisted suppliers; and clarifying procedures for checking for sanctioned vendors.</p>	<p>Operational Processes &amp; Systems Institutional</p>	<p>Guidelines</p>	<p>Afghanistan Country Office</p>	<p>30 June 2015</p>
<p>12 <b>Procurement:</b> Procurement planning – Procurement plans for both food and non-food items were not implemented in the CO in the period under review; although plans were initiated for some items these were never formally approved and were not used.</p>	<p>The CO will develop and institute procurement plans across units at a functional level, grouping similar items.</p>	<p>Compliance Processes &amp; Systems Institutional</p>	<p>Compliance</p>	<p>Afghanistan Country Office</p>	<p>31 March 2015</p>
<p>13 <b>Security:</b> Safety and security issues relating to UNHAS operations – Discussion with the security and UNHAS units within the CO highlighted that formal documented clarification concerning roles and responsibilities between the WFP security unit and the Joint Operations Centre of the United Nations Department of Safety and Security (UNDSS) would be beneficial.</p> <p>The audit observed a number of issues potentially impacting safety and security whilst travelling on UNHAS flights. These included lack of controls over access to airports used by UNHAS, and non-compliance with and lack of enforcement of in-flight safety requirements including use of safety belts and non-use of electronic equipment. The audit also noted the absence of in-flight safety announcements in the local language.</p>	<p>The CO will:</p> <p>(a) Consider establishing a Memorandum of Understanding between the WFP security Unit and UNDSS Joint Operations Centre to clarify roles and responsibilities.</p> <p>(b) Assess the need to improve or add to UNHAS safety procedures to address the issues noted by the audit, including where necessary liaison with authorities responsible for airport security.</p> <p>(c) Introduce procedures to broadcast safety announcements on UNHAS flights in local language.</p>	<p>Compliance Processes &amp; Systems Contextual</p>	<p>Compliance</p>	<p>Afghanistan Country Office</p>	<p>30 June 2015</p>



Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Information and Communication</b>					
<p>14 <b>Information and communications technology:</b> Issues relating to security and management of databases – The audit reviewed two custom-developed databases in use in the CO, used for M&amp;E and C&amp;V activities. In both cases weaknesses in user-account management were noted, including allocation of responsibility for management, review procedures for user accounts, and security aspects of account access. In the case of the M&amp;E database it was noted that access via the internet may give rise to associated risks of security over access.</p>	<p>The CO will consult with regional and corporate IT units to review the requirements for and plan the implementation of additional controls to compensate for weaknesses noted relating to the two custom-developed databases.</p>	<p>Compliance Processes &amp; Systems Institutional</p>	<p>Compliance</p>	<p>Afghanistan Country Office</p>	<p>30 June 2015</p>

## IV. Detailed Assessment

### Control Activities

### High Risk

#### **Observation 1 Programme management: Children engaged to work on a Food for Assets project**

20. The audit visited a food for assets project which involved the provision of manual labour by beneficiaries on a community-based project in exchange for food rations, and observed that a limited number of beneficiaries working on the project were children. One boy was interviewed and was established to be fourteen years old, and several other boys observed working on the project appeared to be younger than this age. All were observed to be carrying out heavy manual labour.

21. Discussions with the local District Development Assembly and the CP indicated an awareness that children should not be engaged to work. However it was reported that the families of these children had no other means of obtaining their food requirements. For example, it was reported that some families had no adult male capable of working.

22. Discussions with various stakeholders indicated that, whilst there is no evidence that the practice is widespread, some instances of children being engaged to work on other projects in the country have previously been identified.

**Underlying cause of observation:** Regulations and policies to prevent engaging children to work on projects were not enforced.

There may be a gap in the provision of assistance for some families necessitating children to work; for example in cases where there is no adult male able to work.

**Implication:** The engagement of children to work represents a breach of law, of WFP policy, and of the UN Convention on the Rights of the Child.

There are risks to the well-being and safety of children engaged to work.

There are reputational risks to WFP associated with children working on projects.

**Policies, procedures and requirements:** WFP Programme Guidance Manual; Convention on the Rights of the Child 1989.

**Agreed action:** The CO will (a) In conjunction with CPs reinforce the policy that no children under the minimum working age should be engaged on projects involving manual or other labour; (b) Investigate whether there are gaps in the provision of assistance to families requiring children to work. In such cases, consideration will be given to providing assistance via alternative means.

**Due Date: 30 June 2015**

## Monitoring

## High Risk

**Observation 2 In-country monitoring: Implementation of a monitoring plan**

23. The audit noted that the CO had an M&E plan comprising a Monitoring Matrix and Sample Table, which linked the strategic objectives of the CO to the required indicators to be measured. However the CO M&E plan was not used at a field level in area and sub-offices as the basis for M&E implementation, and was not used as the basis upon which to compare actual M&E results with those planned.

24. The actual rate of M&E implementation compared to the CO plan was significantly lower than the reported implementation rate of 69 percent obtained by comparing actual M&E results with field level plans. The audit noted that this was partly attributable to the limited number and capacity of third-party monitors.

<b>Underlying cause of observation:</b>	<p>There was a lack of process in place to link the M&amp;E plans of area and sub-offices to the overall CO M&amp;E plan, including a process to take into account area and sub-offices input on feasibility of targets.</p> <p>Limited or no accessibility associated with high security risks of a high percentage of areas within the country presents significant challenges to M&amp;E implementation.</p>
<b>Implication:</b>	<p>There is a risk that monitoring is not carried out in alignment with the overall CO plan and in a manner which provides appropriate assurance regarding achievement of strategic objectives, and that a low level of actual implementation of M&amp;E may not be readily identified and addressed.</p>
<b>Policies, procedures and requirements:</b>	<p>Best practices in respect of programme monitoring and evaluation.</p>
<b>Agreed action:</b>	<p>The CO will (a) Implement a procedure to ensure that there is a linkage between the CO M&amp;E plan and the field level M&amp;E plans in area and sub-offices, and to compare overall CO M&amp;E targets with actual implementation figures. This will include a process to incorporate input on the feasibility of targets into the CO M&amp;E plan; (b) Review factors impacting the low M&amp;E implementation rate and introduce measures to improve the level of achievement.</p>
<b>Due Date:</b>	<p><b>30 September 2015</b></p>

## 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<sup>3</sup> 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.

<sup>3</sup> Committee of Sponsoring Organizations of the Treadway Commission.

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

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

### 3. Causes or sources of audit observations

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

**Table A.3: Categories of causes or sources**

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

### 4. Risk 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.<sup>4</sup>

**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.

<sup>4</sup> 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

BA	Basic Agreement
C&V	Cash and Vouchers
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CD	Country Director
CP	Cooperating Partner
DCD	Deputy Country Director
M&E	Monitoring and Evaluation
NRVA	National Risk and Vulnerability Analysis
P4P	Purchase for Progress
UN	United Nations
UNDSS	United Nations Department of Safety and Security
UNHAS	United Nations Humanitarian Air Service
WFP	World Food Programme