

Internal Audit of WFP Operations in Sudan

Office of the Inspector General
Internal Audit Report AR/15/14



World Food Programme

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Internal Audit of WFP Operations in Sudan

I. Executive Summary

Introduction






1. As part of its annual work plan for 2015, the Office of Internal Audit conducted an audit of WFP operations in Sudan, focusing on the period 1 January 2014 to 31 May 2015. WFP's direct expenses in Sudan in 2014 totalled USD 263 million, representing 5.6 percent of WFP's total direct expenses for the year. The audit team conducted the in-country fieldwork, which included on-site visits to various locations in Sudan and a review of related corporate processes that impact across WFP, from 26 July to 13 August 2015.

2. The audit was conducted in accordance 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 **satisfactory**. Conclusions are summarised in Table 1 by internal control component:

Table 1: Summary of conclusions by Internal Control Component

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

Key Results of the Audit

Positive practices and initiatives

4. The audit noted some positive practices and initiatives. These included: WFP Sudan leading the humanitarian response strategy for protracted Internally Displaced Persons (IDPs) in the country; the IDP profiling exercise in camps to target and assist beneficiaries based on their food security and nutrition status; strong partnerships and interaction with UN agencies and the humanitarian sector at large; the achievement of savings of approximately USD 30 million by utilization of the Port Sudan corridor for South Sudan Operations; development of the first standard operating procedures for the Country Office Monitoring and Evaluation Tool (COMET); an innovative Nutrition strategy and; a commercial transport tracking system, 'operation lighthouse', through which WFP logistics unit works closely with the African Union-United Nations Hybrid Operation in Darfur (UNAMID) to ensure timely delivery of food and non-food items to beneficiaries across Darfur.



Audit observations

5. The audit report contains five medium-risk observations.

Actions agreed

6. Management has agreed to take measures to address the reported observations and work is in progress to implement the five agreed actions.

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

David Johnson
Inspector General

II. Context and Scope

Sudan

8. Sudan is classified as a least-developed and a low-income food-deficit country; it ranks 166th out of 187 countries in the 2013 Human Development Index and has alarming levels of hunger according to the 2013 Global Hunger Index. Sudan scores low in global measures for gender disparity (ranking 129th out of 187 on the Gender Inequality Index) and has a 46.5 percent overall poverty rate, with some 14.4 million people considered as poor. In addition to the above, Sudan continues to struggle with the macroeconomic after-effects of South Sudan's secession in 2011, as a result of which the country lost 75 percent of oil output and almost 60 percent of its fiscal revenues.

9. Sudan is one of 34 countries contributing to 90 percent of the global burden of under-nutrition. Chronic malnutrition remains a serious public health problem and 35 percent of children aged 6 to 59 months are stunted. The Simple Spatial Sampling Method survey released in 2014 confirmed the existence of global acute malnutrition rates higher than World Health Organisation's emergency threshold (15 percent) in 59 out of 184 localities, with peaks (above 30 percent) found in Darfur.

WFP Operations in Sudan

10. WFP has been present in Sudan since 1963 and currently operates in 10 of the 18 states through 17 offices. Humanitarian operations in Sudan are complicated as the environment is extremely challenging. During the audit period, the following projects were being implemented by the Country Office (CO):

Emergency Operation (EMOP 200597): This project started in January 2014 and ended in 30 June 2015. The main objectives of this EMOP were: to save the lives of highly vulnerable, food insecure and acutely malnourished groups affected by conflict and natural disasters, including IDPs, refugees and returnees, and strengthen the Government's capacity to respond to emergencies; to support the creation and rebuilding of community assets and livelihoods to enhance access to food security and strengthen the Government's capacity to address national food security and nutrition; to support the reduction of maternal and child under-nutrition, particularly during the first 1,000 days and assist Government efforts in related policy and strategy and; to improve access to basic services in order to alleviate short term hunger and contribute to learning while strengthening the capacity of the Government to manage school feeding programmes and create an enabling environment that promotes gender equality. Following completion, this project was replaced, from 1 July 2015, by the Protracted Relief and Recovery Operation (PRRO) 200808.

Special Operation (SO 200774): This project started on 1 January 2015 and is expected to end on 31 December 2015. Through this project, Non-governmental Organizations (NGOs), UN agencies and the donor community travel to implement and monitor humanitarian projects throughout the country.

Trust funds: During the audit period, the CO had six trust funds recorded in the WINGS Enterprise Resource Planning system, including Trust Fund Project 200794. This project involved WFP partnering with the Food and Agriculture Organization of the UN and the UN Children's Fund (UNICEF) under the UK Department for International Development's Sudan Humanitarian Assistance and Resilience Programme to pilot a three-year resilience programme to test a joint programme model for the three United Nations agencies in eastern Sudan.



Objective and scope of the audit

11. 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 Sudan. 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.

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

13. The scope of the audit covered WFP's operations in Sudan for the period from 1 January 2014 to 31 May 2015. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work, which took place between 26 July and 13 August 2015, included visits to various locations in Sudan including Khartoum, Kosti, El-Obeid and Nyala.

III. Results of the audit

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

Table 2: Positive practices and initiatives

<p>1. Internal environment</p> <ul style="list-style-type: none"> • WFP appointed to lead the humanitarian response strategy for protracted IDPs. • Strong partnerships and interaction with UN agencies and the humanitarian sector at large.
<p>2. Risk management</p> <ul style="list-style-type: none"> • Risk management and Emergency Preparedness and Response Planning process in place and regularly updated. Successful simulation undertaken for the Minimum Preparedness Actions.
<p>3. Control activities</p> <ul style="list-style-type: none"> • CO IDP profiling exercise in camps, aimed at targeting and assisting camp beneficiaries based on their food security and vulnerability status and needs. • Savings of approximately USD 30 million achieved by utilization of the Port Sudan corridor for South Sudan Operations. • Innovative Nutrition strategy for stunting to address Zero Hunger and development of a joint WFP/UNICEF Nutrition Investment case. • Clear linkages between programme implementation plans and underlying assessments. • "Operation lighthouse", through which the WFP logistics unit works closely with UNAMID to ensure timely delivery of food and non-food items to beneficiaries across Darfur.
<p>4. Information and communication</p> <ul style="list-style-type: none"> • Strong communication and engagement with the donor community and other humanitarian stakeholders, guided by a robust fund-raising strategy.
<p>5. Monitoring</p> <ul style="list-style-type: none"> • Development of a comprehensive monitoring strategy and a thorough Standard Operating Procedures for monitoring activities, bringing clarity to the roles and responsibilities of monitoring staff.

15. 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
1. Internal environment	
Strategic planning and performance	Low
Organisational structure and delegated authority	Low
Internal oversight	Low
Ethics	Low
2. Risk management	
Enterprise risk management	Low
Emergency preparedness and response	Low
3. Control activities	
Finance and accounting	Low
Programme management	Medium
Transport and logistics	Medium
Procurement	Medium
Human resources	Low
Travel and administration	Low
Partnership and coordination	Low
Security	Low
Gender	Low
Property and equipment	Medium
Information and communications technology	Low
Resource mobilisation	Low
4. Information and communication	
External and internal communication	Low
5. Monitoring	
Programme monitoring and evaluation	Low

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

17. The audit made five medium-risk observations, which are presented in Table 4.

Action agreed

18. Management has agreed to take measures to address the reported observations and work is in progress to implement the agreed actions².

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

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Control Activities					
1 Programme Management: Cooperating Partners' Capacity – In the context of transitioning programme activities from emergency operations to relief and early recovery, the lack of in-depth knowledge and experience of cooperating partners and Government counterparts in planning, implementing and reporting on such activities has historically proven to be a challenge. While it had delivered several training sessions to its partners, the CO had not yet undertaken a thorough Capacity Gaps and Needs Assessment to understand the capacity development needs and recommend appropriate actions for implementation. The need for such assessment had been highlighted in the new PRRO but no budget had yet been allocated due to the absence of underlying assessments at the time of project approval.	The CO will: (a) Finalise the Capacity Development & Augmentation (CD&A) strategy based on the findings of the Capacity Gaps and Needs Assessment (CGNA) within an appropriate timeframe; and (b) Revise its PRRO budget to incorporate the estimated costs of prioritised capacity development activities identified by the CGNA and CD&A strategy.	Strategic Programmes Contextual	Guidance	Sudan Country Office	30 June 2016

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
2 Programme Management: Beneficiary identification and verification – Figures relating to the number of South Sudanese refugees numbers in the White Nile State (4.7% of CO total beneficiaries) were inaccurate and uncertain. This was evident from the CO’s rapid verification of two camps during the second quarter of 2015 and the audit team’s visit to one camp in August 2015.	<p>The CO will:</p> <p>(a) Assess and review the sub-contracting of activities by cooperating partners and determine whether mitigating actions are required;</p> <p>(b) Put procedures in place to ensure that activities may only commence once a cooperating partner has signed a field-level agreement; and</p> <p>(c) Introduce standard budgeting and performance verification processes as part of a review of field-level agreement management process; these will include a requirement that Cooperating Partners provide verification of completion of services or projects prior to payment being processed.</p>	<p>Reporting</p> <p>Programmes</p> <p>Contextual</p>	Guidance	Sudan Country Office	<p>30 June 2016</p> <p>(b) Implemented</p>

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
3 Transport Management: The following weaknesses were noted in the transport management process: (a) inconsistent practices were applied in the shortlisting and capacity assessment of transporters, with some going through a more rigorous process than others; (b) in order to avoid demurrage on the Port Sudan – El-Obeid leg, the CO moved away from the tariff rate mechanism and introduced competitive contracting for bulk commodities of more than 15K metric tonnes, however, only one of the four shortlisted transporters had a capacity beyond the required threshold; and (c) the allocation criteria for commodities under the tariff rate mechanism were changed from declared capacities to equal allocation, however, the new allocation criteria were not presented to the CO’s Local Transport Committee (LTC) and the Country Director (CD) for approval and came into effect four months before the Committee was made aware of the change, as a result of the audit visit.	The CO will: (a) Review and improve the transport capacity assessment and shortlisting process; (b) Review the possibility of implementing direct contracting for all transport legs; and (c) Ensure that changes in allocation criteria are presented to the LTC and approved before implementation.	Compliance Processes and Systems Institutional	Compliance	Sudan Country Office	(a) & (b) 31 December 2015 (c) Implemented
4 Procurement: Weaknesses noted in the procurement process included: (a) instances of incomplete or out-of-date vendor records; (b) shortlists for non-food suppliers not updated as required by the goods and services procurement manual; (c) justification for suspending vendors not documented; (d) composition of Purchase Contracts Committee (PCC) not formally approved by the CD and out of date; and (e) corporate email tendering system (In-Tend) employed by the CO not up to date (still showing South Sudan Vendors).	The CO will: (a) Formally approve the PCC composition; (b) Follow up with HQ to segregate the vendors of Sudan and South Sudan in the “In-Tend” system; (c) Ensure completeness of procurement documents and records; (d) Update the non-food roster and institute regular reviews.	Compliance Processes and Systems Institutional	Compliance	Sudan Country Office	31 December 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
5 Property and Equipment: The following weaknesses were noted in the management of property and equipment: (a) the corporate Global Equipment Management System (GEMS) was implemented in January 2015 but was not being used at the sub-office level due to lack of staff training; and (b) land donated by the Government of Sudan in 2011 and in 2014 could not be recorded as assets in WFP's Information Network & Global System (WINGS) or registered as a contribution from the Sudanese Government because they had not been valued.	The CO will: (a) Revisit and update the current policies and procedures covering property and equipment and implement measures to ensure that all offices are able to monitor and manage their assets on a timely basis; (b) Coordinate with General Accounts Branch, Contributions and Project Account Branch and Facilities Management Branch to identify a solution to the problem of how to record the land donated by the Government of Sudan.	Compliance People Institutional	Compliance	Sudan Country Office	31 December 2015

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 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 enabling 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.

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. Audit observations are 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. Audit observations are 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.³

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 is 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

³ 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.

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.

6. Rating system

A 9. Internal control components and processes are rated according to the degree of related 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 or 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
CD	Country Director
CD&A	Capacity Development & Augmentation
CGNA	Capacity Gaps and Needs Assessment
EMOP	Emergency Operation
IDP	Internally Displaced Person
PCC	Purchase Contracts Committee
PRRO	Protracted Relief and Recovery Operation
UNAMID	United Nations–African Union Mission in Darfur
UNICEF	United Nations International Children's Emergency Fund
WFP	World Food Programme