Internal Audit of WFP Operations in Syria

Office of the Inspector General
Internal Audit Report AR/16/02

WFP

World Food Programme

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Contents

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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 Syria, focusing on the period 1 April 2014 to 31 July 2015. WFP's direct expenses in Syria in 2014 totalled USD 418 million, representing nine 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 Syria, Beirut and Amman, and a review of related corporate processes that impact across WFP, from 28 September to 15 October 2015.

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 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	Medium	🟨

Key Results of the Audit

Positive practices and initiatives

4.   The audit identified several positive practices and initiatives taken by the Syria Country Office (CO). These include:

- successful scale up of cross border operations reaching a significant number of previously inaccessible areas and increasing WFP's overall outreach to food insecure people;
- investment in capacity development of the cooperating partners and third party monitors through training and tangible inputs in their systems and premises;
- developing comprehensive strategies for nutrition, school feeding, livelihood activities and monitoring and evaluation;
- incorporating cash and voucher activities for nutrition support to pregnant and lactating women in a fragile environment;
- scaling up monitoring coverage in the country with the effective use of third party monitors;
- establishing a targeting/prioritization tool aimed at effective categorisation of the most vulnerable and food insecure beneficiaries who are eligible for food assistance; and

- achieving healthy cost efficiency in CO operations by reducing port operations and warehousing costs, and significantly reducing the overall Landside Transport, Storage and Handling (LTSH) rate by 44 percent.

Audit observations

5.   The audit report contains one high risk and seven medium-risk observations. The high-risk observation is about security. It has been redacted in accordance with the Policy for Disclosure of Oversight Reports (WFP/EB.2/2012/4-A/1) due to the sensitivity of the information. .

6.   Two medium risk observations about financial management and warehouse management have also been fully/partially redacted for reasons of confidentiality.

Actions agreed

7.   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 eight agreed actions.

8.   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

Syria

9.   Syria is embroiled in a violent civil war that has resulted in the Syrian economy contracting by an estimated 40 percent since 2011. Entering its fifth year, the conflict has left more than half of the population in need of some form of humanitarian assistance[1]. There are 6.5 million internally displaced people and over 4 million have taken refuge in neighbouring countries. The agriculture sector, amongst several sectors, has been severely affected and food production has dramatically declined leaving millions of people food insecure. The UN estimates that 13.5 million people are in need of humanitarian assistance, of whom 8.7 million require food assistance.

WFP Operations in Syria

10.   WFP has been present in Syria since 1963. At the onset of the crisis in 2011, WFP initiated its response with emergency food assistance to 50,000 people and gradually scaled up to its current target of 4.25 million people each month. In addition, since 2013, nutrition support is provided to children below 5 years old to prevent malnutrition. In 2014, WFP introduced early recovery activities, including a school feeding programme and targeted nutrition support to pregnant and nursing mothers through food voucher transfers. Although a large part of the country is still under active conflict, WFP is introducing livelihoods strengthening activities in areas of relative stability. Since 2014 WFP has been engaged in cross border operations pursuant to UN Security Council resolutions 2165, and has been able to reach significantly more food insecure people previously inaccessible.

11.   During the audit period, the following projects were being implemented by the CO:

- *Emergency Operation (EMOP) 200339*: This project, provides vital food assistance to conflict-affected vulnerable populations across all 14 Syrian governorates. General food assistance is provided to eligible families in the form of food parcels comprising nine food items per month, based on an average of a five member household. In some cases, ready-to-eat rations are also distributed to newly displaced families during the initial stages of displacement when they do not have cooking facilities. WFP has progressively introduced nutrition activities to respond to alarming malnutrition levels in the country. Nutrition interventions include a blanket supplementary feeding programme to prevent acute malnutrition and micronutrient deficiencies in children aged 6 to 59 months. In July 2014, WFP launched a voucher-based nutrition support to improve the dietary diversity of vulnerable pregnant and lactating women in Homs and Lattakia, by enabling them to purchase fresh food products.

- *Special Operation (SO) 200778*: Under its Logistics Cluster mandate, WFP fills logistics gaps faced by the humanitarian community. It provides services including transport services, dedicated storage, coordination and information management support, on a cost-recovery basis. Under the whole of Syria approach, the Logistics Cluster established a strong coordination and information platform across the region. The cluster held regular meetings in Syria, Turkey and Jordan to tackle logistics bottlenecks with jointly developed solutions for the humanitarian response.

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[1] 2016 Syria Humanitarian Response Plan

Objective and scope of the audit

12.   The objective of the audit was to evaluate and test the adequacy and effectiveness of the internal control of WFP's operations in Syria. 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 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 a risk-assessment exercise carried out prior to the audit.

14.   The scope of the audit covered WFP's operations in Syria for the period from 1 April 2014 to 31 July 2015. Where necessary, transactions and events relating to other periods were reviewed. The audit field work, which took place between 28 September and 15 October 2015, included visits to Damascus, Homs, Tartous, Beirut and Amman.

III. Results of the audit

15. The following positive practices and initiatives were identified during the audit:

Table 2: Positive practices and initiatives

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1. Control activities

- Successful scale up of cross border operations reaching a significant number of previously inaccessible areas and increasing the overall outreach to food insecure people.
- Continuous investment in capacity development of cooperating partners and third party monitors through training and tangible inputs to their systems, premises and food distribution points.
- Development of four comprehensive strategies for nutrition, school feeding, livelihood activities, and Monitoring and Evaluation (M&E).
- Successful management to incorporate cash-based transfers for pregnant and lactating women in an innovative way in a fragile environment.
- Establishment of a targeting/prioritization tool aimed at effective categorisation of the most vulnerable and food insecure beneficiaries who are eligible for food assistance.
- Achievement of a healthy cost efficiency in CO operations by reducing port operations and warehousing costs, and significantly reducing the overall LTSH rate by 44 percent.
- Use of a local integrated system to regularly monitor commodity allocations for the CO's logistics tariff rate mechanism, improving control and transparency over the allocation system.

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2. Monitoring

- Gradual scale up of monitoring coverage in the country with the effective use of third party monitors to reach areas not accessible by UN staff.
- Successful implementation of an online database to track monitoring findings and action taken on field observations. This helped the CO to provide timely support to Field Offices and partners on operational issues identified in the field.

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
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	Medium
	Programme management	Medium
	Transport and logistics	Medium
	Procurement	Low
	Human resources	Low
	Travel and administration	Low
	Partnership and coordination	Low
	Security	High
	Gender	Low
	Property and equipment	Low
	Information and communications technology	Low
	Resource mobilisation	Low
4.	Information and communication	
	External and internal communication	Low
5.	Monitoring	
	Programme monitoring and evaluation	Medium

17. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**[2].

18. The audit report makes one high risk and seven medium-risk observations. Tables 4 and 5 below 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[3].

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[2] See Annex A for definitions of audit terms.
[3] Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 4: High-risk observation

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Control Activities					
1 **Security:** Redacted[4]	Redacted	Operational	Compliance	RMQ	31 March 2016
		Processes & Systems			
		Institutional			
				Syria Country Office	31 December 2016
				Syria Country Office	31 December 2016

Table 5: Medium-risk observation

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Control Activities					
2 **Finance and Accounting:** Redacted[4]	Redacted	Operational	Guidance	Syria Country Office	31 December 2016
		Accountability and Funding			
		Contextual			

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[4] Redacted /withheld under the WFP Policy for Disclosure of Oversight Reports - WFP/EB.2/2012/4-A/1 paragraph 13.

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
3	**Programme Management** - Partnership for programme implementation – The CO entered into programme implementation partnerships with 33 different organizations but faced challenges in receiving timely and accurate distribution reports. An initial analysis prepared by the CO showed a difference of approximately 54,807 mt between despatches and distributions from January to July 2015 (21 percent of total dispatches). The CO had not finalised the reconciliation at the time of the audit and the difference was mostly attributed to the dispatches made to the partners in cross border operations. Soon after the audit, the CO indicated that they had cleared the backlog of data entry into Country Office Monitoring and Evaluation Tool (COMET) for project plan and cooperating partner distribution reports up until November 2015. Efforts were ongoing to complete December 2015 distribution reports.	The CO will continue to expedite the recording of the backlog in COMET and will follow-up with the cooperating partners to obtain missing distribution reports.	Operational Processes and Systems Contextual	Resources	Syria Country Office	31 December 2016
4	**Transport and Logistics** - Shortlisting and capacity assessment - Most of the transporters contracted by the CO subcontracted to smaller vendors. Some of the key documents required to verify the capacity of the shortlisted organizations, e.g. insurance and truck registration certificates were not obtained. The CO vetted all of its contracted transporters against the UN1267 list, but did not have a procedure to verify if the sub-contracted transporters had also been checked against the UN1267 list.	The CO will: a) set-up a procedure to validate if the transporters identified in the pre-shortlisting exercise have the required financial and operational capacity; and b) request all companies during the shortlisting process to submit full details of their sub-contractors. These will be vetted against the UN1267 list by CO staff.	Compliance Processes and Systems Contextual	Compliance	Syria Country Office	31 December 2016

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
5	**Transport and Logistics** - Commodity management - Since mid-2014, WFP has required its packaging service-providers in Kisweh to automate the commodity packaging. This is done to maintain the quality of the food; to avoid possible hygiene issues; and to increase production capacity. However the CO later reverted to manual packaging because of errors in the weighing system. Standard operating procedures, costing and equipment specifications for repackaging have not been corporately developed. The CO reported to donors that, because of security incidents, they had incurred post-delivery commodity losses of 1,358 mt amounting to USD 1,203,240. The Programme has not developed corporate guidelines for the preparation of such loss reports to donors. Another 1,600 mt of commodities were damaged by fire and were waiting for disposal since December 2014 which could cause contamination of other food commodities.	The CO will: a) in coordination with Headquarters (HQ) units, develop a standard operating procedure for repackaging activities and equipment specifications; b) follow-up with the service-providers to ensure that the semi-automated packaging process begins as soon as the equipment has been calibrated and tested; c) in coordination with HQ units develop procedures for Incident Report Register for sharing with specific donors; and d) follow-up with the local Government on how to proceed with the disposal of damaged commodities.	Operational Processes and Systems Institutional	Guidelines	Syria Country Office	31 December 2016

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
6	**Warehouse Management** - Warehouse and Commodity Management Warehouses in (redacted)[4] - In 2014, because of a legal dispute over ownership of an old warehouse, the CO was notified by the (redacted)[4] to vacate the warehouse pending a verdict of a case relating to ownership of the warehouse. The CO was forced to move to a new warehouse while previously identified security recommendations related to the new warehouse had not been fully implemented. During the audit period, a fire in the new warehouse resulted in a loss of USD 1.3 million worth of food commodities and USD 0.3 million of non-food items stored for other UN agencies. An earlier security assessment report had highlighted shortcomings in firefighting facilities in the warehouse which had not been addressed. At the time of the audit, the contract with this new warehouse owner was being extended, while OSLR was still working on the legal matters related to the fire. Warehouse in (redacted)[4] - The rent for this warehouse was increased from USD 300,000 p.a. to USD 649,992 p.a. (216 percent) at the time of contract renewal. This increase was demanded by the vendor after one year. The CO accepted this increase because the office had not performed an appropriate assessment to identify alternatives.	The CO will: a) ensure that the lessor for the (redacted)[4] warehouse improves the mitigation measures in the warehouse to protect commodities from fire, and other probable risks as highlighted in the lease agreement; and b) undertake regular capacity assessments of possible warehouse sites in various locations around the country to determine suitable potential new sites, as part of the strategy to seek cost efficient solutions.	Operational Processes & Systems Institutional	Guidance	Syria Country Office	31 December 2016

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
7 **Security -** Security Organisational Structure - The Syria CO under took a staffing and structure review to align its structures with the foreseeable operational needs in the CO and SOs. However the security function was excluded from this review. Further, the CO did not have an approved organigram for its Security unit and there were no formal reporting lines for security officers (who were mainly international consultants) based in sub-offices to the Heads of offices (who were mostly national staff or international consultants).	The CO will design and approve a formal organizational chart for the Security unit both at the CO- and SO-level to clarify the reporting lines of each Security unit staff member.	Operational

People

Institutional | Compliance | Syria Country Office | 31 December 2016 |

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Monitoring					
8 **Programme monitoring and evaluation** - Enhancement of Gender Mainstreaming – Gender disaggregated data presented in the 2014 Standard Project Report (SPR) was based on ratios from the 2004 census by the Syrian Central Bureau of Statistics. However, the impact of a 4 yearlong conflict resultant migration and loss of lives is not known with certainty nor factored in the indicators reported in the 2014 SPR. The CO's Gender Focal Point had no Terms of Reference (TOR) as required by the WFP 2015 Gender Policy. Training of the Cooperating Partners (CPs)' staff had not been undertaken at the time of the audit to ensure that all CPs had a clear understanding of the impact of Gender on the work of WFP, and to train the CP staff on how to effectively address gender in the programme implementation. The CO indicated that the 2015 Household Food Security Assessment confirmed the pre-existing gender ratio of 49:51, and it also provided gender analysis that is reflected in the current EMOP budget revision. The CO has also developed a beneficiary registration tool that captures gender data. This will facilitate reporting of actual beneficiaries by gender.	The CO will strengthen its efforts on gender mainstreaming by implementing the following: a) ensure data on the gender of beneficiaries is collected and of sufficient reliability to be reported; b) provide for the Gender Focal Point and all Gender Focal Points at the SO-level to have a written TOR; and c) strengthen efforts to have a more gender-balanced staff force.	Operational People Contextual	Compliance	Syria Country Office	31 December 2016

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 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.   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.[5]

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.

6. Rating system

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[5] 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.

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

ASITF	Advanced Security in the Field
AVs	Armoured Vehicles
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
COMET	Country Office Monitoring and Evaluation Tool
CP	Cooperating Partner
EMOP	Emergency Operation
HQ	Headquarters
LTSH	Landside Transport, Storage and Handling
MOSS	Minimum Operating Security Standards
M&E	Monitoring and Evaluation
OSLR	Operational Risk Management Service
RBC	Cairo Regional Bureau
RMQ	Field Security Division
SAM	Security Assessment Mission
SO	Special Operation
SPR	Standard Project Report
TOR	Terms of Reference
UN	United Nations
WFP	World Food Programme