

Internal Audit of WFP Operations in South Sudan

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World Food Programme

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Internal Audit of WFP Operations in South Sudan

I. Executive Summary

Introduction and context

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in South Sudan that focused on the period 1 January 2015 to 31 March 2016. Expenditures in South Sudan totalled USD 499 million in 2015, representing 10.8 percent of WFP's total direct expenses for the year, the biggest WFP country operation for the second consecutive year. The audit team conducted the field work from 30 May to 17 June 2016 at the Country Office (CO) premises and through onsite visits to various locations in South Sudan.
2. In 2016, WFP aims to assist more than 3 million people in South Sudan. This includes lifesaving emergency assistance for 1.65 million people and non-emergency food assistance for a further 1.7 million people through recovery operations. In conflict zones, WFP is using all possible means of distribution, including airdrops, and supporting vulnerable families in non-conflict zones with programmes to improve food security. In relatively stable areas with safe access and available food stocks, the emphasis is on resilience-building activities such as food for assets, cash for assets, Purchase for Progress, and food for education.
3. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit Conclusions

4. The CO in South Sudan operates and delivers food assistance to millions of beneficiaries in one of the most hostile countries in which WFP operates. It provides essential services, such as telecommunications and logistics facilities, including UNHAS services, to other humanitarian actors that are present in the country. The CO continues doing so while facing security threats and staffing-related challenges.
5. The audit noted some positive practices. Active communication with donors has helped maintaining support from donors. Staff and Cooperating Partners (CP) were provided with training on WFP's corporate policies. Considerable efforts have been made to improve the evaluation of service contract holders who account for the highest proportion of the CO workforce. LESS, the corporate commodity tracking system, was successfully implemented. Improvements were made in recruitment practices to ensure more consistency and achieve further gender balance.
6. The review of WFP operations in South Sudan concluded that internal controls, governance and risk management practices were generally established and functioning, but needed improvement. Several weaknesses that could negatively affect the achievement of the objectives of the audited process were identified. Based on the results of the audit, and considering the country context, 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 risks by Internal Control Component

Internal Control Component		Risk	
1.	Control environment	High	■
2.	Risk assessment	Medium	■
3.	Control activities	Medium	■
4.	Information and communication	Low	■
5.	Monitoring activities	High	■

Key Results of the audit

Audit observations

7. The audit report contains three high-risk observations and 10 medium-risk observations. The high-risk observations are:

Organizational structure and staffing: The CO was undergoing a Structure and Staffing Review (SSR) to identify core positions and implement a more cost effective and fit-for-purpose organisational structure. There was a need for management to further engage with WFP headquarters and obtain support so that existing structural inefficiencies and contract type related issues are addressed in a timely manner. Difficult accommodation conditions in some Sub-/ and Field-Offices made it difficult to attract and retain staff.

Procurement: The CO was purchasing a high level of goods and services (USD 119 million during the audit period), but risked not getting the best value for money because of weaknesses in the procurement process related to vendor rostering and registration, the tendering process, the contracting process and procurement timelines.

Monitoring and evaluation: A formal strategy covering all the CO's monitoring activities was not in place. Several weaknesses impacted on the effectiveness and timeliness of monitoring activities such as the low collection rate for CP distribution reports in some Sub Offices (SO); untimely and poor quality of some CP reports; challenges to input and process these in corporate systems; partial implementation of outcome monitoring plans; non-systematic issuance of on-site monitoring reports; and delayed organization of Third Party Monitoring.

Actions agreed

8. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due date.

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

David Johnson
Inspector General

II. Context and Scope

South Sudan

10. South Sudan spreads over 644,000 square kilometres at the meeting point between the Horn of Africa and the centre of the continent. Independent since 2011, the world's newest country is also one of its least developed. There are no precise population figures. The latest census, conducted in 2008, is not considered an accurate reflection of current demographics. In 2014, the World Bank estimated there were 11.91 million South Sudanese, four in ten of them aged 14 or younger. South Sudan is overwhelmingly rural. Nine in 10 households depend on crop farming, livestock, fishing or forestry. Productivity across these sectors is minimal; food insecurity is persistent, and exacerbated by conflict and economic crisis. The country remains one of WFP's toughest working environments. Shrinking humanitarian access and a lack of funding are challenging efforts to meet escalating needs.

WFP Operations in South Sudan

11. In 2016, WFP aimed to assist more than three million people in South Sudan. This includes lifesaving emergency assistance for 1.65 million people directly affected by conflict, and non-emergency food assistance for a further 1.7 million people through recovery operation. In conflict zones, WFP is using all possible means at its disposal, namely airdrops, river boats and distribution of food, cash or vouchers. Elsewhere in South Sudan, WFP is supporting vulnerable families with programmes to improve food security, including school meals and asset-creation initiatives. In relatively stable areas, with safe access and existing food stocks, the emphasis is on resilience-building activities: food for assets, cash for assets, purchase for progress, and food for education (school meals and girls' take-home rations).

12. During the period audited, operations were implemented via the following projects:

Emergency Operations in Response to Conflict in South Sudan (EMOP 200659, which ended in September 2015 and EMOP 200859, effective October 2015): These projects commenced in January 2014 and will end in September 2016. 1.6 million beneficiaries are targeted to receive emergency food and nutrition assistance in conflict-affected states through general food distribution, emergency food for education and institutional feeding. Project funding at the audit planning stage was 53 percent of total requirements of USD 1,613 million.

Food and Nutrition Assistance for Relief and Recovery, Supporting Transition and Enhancing Capabilities to Ensure Sustainable Hunger Solutions (PRRO 200572): This project commenced in January 2014 and will end in December 2016. It aims to reach 1.7 million people through food for assets, food for education, blanket and targeted supplementary feeding, institutional feeding, general food distribution and cash and voucher transfers. Funding at the audit planning stage was 68 percent of total requirements of USD 768 million.

Logistics Cluster Activities in Support of the Humanitarian Community in South Sudan SO 200778: This Project commenced in January 2014 and will end in December 2016. Through this project WFP provides support to the humanitarian community by providing logistical expertise, coordination, and transportation of humanitarian cargo.

Feeder Road Construction in Support of WFP Operations in South Sudan (Special Operation 200379): This project commenced in March 2011 and will end in December 2018. It is dedicated to linking farmers and communities to markets and basic services as well as to reducing transportation costs and improving delivery efficiency.

Emergency Telecommunications Cluster Activities and Services in Support of the Humanitarian Community in South Sudan (SO 200931): This project started in January 2016 and will end in December 2016. The project provides necessary telecommunication services where basic infrastructure is limited.

Provision of Life Saving Emergency ICT Services to the Humanitarian Community in South Sudan to enable them to provide assistance to the people in need (SO 200791): This is the predecessor project of SO 200931. It started in January 2015 and ended in December 2015.

Strengthening Food Security and Livelihood Cluster Coordination in response to the Humanitarian Situation in South Sudan (SO 200775): This project started in January 2015 and will end in December 2016. WFP co-leads this project with the Food and Agriculture Organization, dedicated to coordinating the food security sector nationally to ensure the most efficient response to food availability and access issues.

Provision of Humanitarian Air Services (UNHAS) in the Republic of South Sudan: This project started in January 2015 and will end in December 2016 (SO 200786): WFP operates UNHAS on behalf of the humanitarian community providing safe and reliable air transport to humanitarian personnel. The project was funded at 58 percent at the audit planning stage for total requirements of USD 118 million.

Objective and Scope of the Audit

13. 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 South Sudan. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes.

14. 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 engagement plan and took into consideration the risk assessment exercise carried out prior to the audit.

15. The scope of the audit covered WFP's operations in South Sudan from 1 January 2015 to 31 March 2016. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work took place from 30 May to 16 June 2016 in Juba and various other locations in South Sudan.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

Control Environment

- Active and transparent communication with donors was maintained.
- Staff provided with training on WFP's corporate policies such as those on humanitarian protection, accountability towards affected populations and humanitarian principles to strengthen their level of awareness and understanding. Practical guidelines and checklists on how best to implement these policies in practice developed and made available to staff and CPs.
- Service contract evaluations improved to strengthen the focus on accountability of managers and staff in performing their duties.

Control Activities

- Successful implementation of LESS despite the challenging conditions that prevail throughout the country.
 - Improvements in the recruitment practices and procedures to ensure more consistency and transparency and to help achieve a better gender balance.
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17. 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. Control environment	
Strategic planning and performance	Medium
Organizational structure and staffing	High
Internal oversight	Medium
Ethics	Low
2. Risk assessment	
Enterprise risk management	Medium
Emergency preparedness and response	Medium
3. Control activities	
Finance and accounting	Medium
Programme management	Medium
Transport and logistics	Medium
Procurement	High
Human resources	Medium
Travel and administration	Low
Partnership and coordination	Medium
Security	Medium
Gender	Low
Property and equipment	Medium
Information and communications technology	Medium
Resource mobilisation	Medium
4. Information and communication	
Internal and external communication	Low
5. Monitoring activities	
Programme monitoring and evaluation	High

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

19. The audit made three high-risk and 10 medium-risk observations. Tables 4 and 5 below present the high and medium-risk observations respectively.

Action agreed

20. Management has agreed to take measures to address the reported observations.²

¹ See Annex B 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: High-risk observations

Observation	Agreed action
<p>1 Organizational structure – Staffing, skills and staff wellness</p> <p>The Office was undergoing an SSR aimed at identifying core positions and implementing a more cost effective and fit-for-purpose organisational structure, based on continuation of the peace process and decreasing donor support.</p> <p>Based on the proposals for 2018 onwards, it was not clear how the structural inefficiencies and contract-type related issues will be addressed in timely manner. In particular it was noted that: approximately 30 percent of international fixed-term staff were occupying critical posts one level higher than their personal grade; appointment and reassignment of staff into South Sudan was often delayed; staff on temporary contracts were performing core functions; there was a disproportionate number of staff (c. 80 percent) on service contracts or special service agreements compared to those on fixed-term; and an absence of national staff at senior levels. Problems with staffing contributed to a number of the weaknesses reported under other observations in this report.</p> <p>The type of office accommodation available to staff varied from houses and hotel rooms to single and shared prefabs and tents. The difficult accommodation conditions in SOs and FOs were obstacles to attracting and retaining staff. The pilot project initiated to upgrade five of the SOs was delayed and no timeline had been set for the remaining nine SOs and FOs. The CO standard operating procedure for the use and eligibility of Guest House Facilities was last updated in December 2012.</p> <p><u>Underlying Cause</u> Ongoing challenges to attract and retain qualified staff in one of WFP’s most difficult working environment. Insufficient corporate procedures to address staffing-related issues. Late or absence of funding for the staff wellness pilot project the remaining offices in the field.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Finalise the SSR exercise and further engage with WFP headquarters to receive support for improving structural and staffing weaknesses; for example, through international staff reassignment; and (b) Revise the project plan for the pilot accommodation upgrade and ensure timely implementation, seek funding and upgrade all offices in the field and update the standard operating procedure on the use of accommodation.

Observation	Agreed action
<p>2 Procurement – Procurement activities</p> <p>Goods and services procured by the CO during the audit period amounted to USD 119 million. The audit noted the following weaknesses in procurement activities:</p> <ul style="list-style-type: none"> (a) The Country Director (CD) did not have additional procurement delegations. Only USD 19.1 million out of the total of USD 119.2 million for purchase orders (POs) raised in the CO during the audit period were approved in the CO. (b) Minimum procurement lead times were not established and enforced for the various goods and services with some goods and services received up to 153 days after the requested time of delivery. Requesting units did not provide additional information or instructions required on a timely basis. This delayed the procurement process and prompted the CO to request waivers, or go for post-factum approvals. The CO issued post-factum POs with a total value of USD 23.1 million between January 2015 and May 2016. (c) The audit noted that no approved vendor roster was in place and that the not all vendors were registered in the corporate In-Tend e-tendering system. It was not possible to readily assess the operational and financial capacity of the listed suppliers. (d) Weaknesses were noted in the disclosure of the scoring criteria for technical and financial evaluations and on their use in evaluating the offers. (e) Requesting units did not perform a proper needs assessments prior to the tender process, and original requirements were amended after offers had been submitted. (f) New tenders were not issued when contract amendments were more than 10 percent of the original contract value. Several contract extensions were approved even though the cumulative amount exceeded the CD’s delegated authority. (g) Micro Purchase Orders (MPOs) were used to a limited extent, with only 93 MPOs issued between January 2015 and March 2016, against 381 regular POs with a value below USD 5,000. Management took action to maximize the use of MPOs after this matter was brought to its attention at the conclusion of the audit field work. <p><u>Underlying Cause</u> Weak supervisory controls over a number of procurement activities. Inadequate delegation level to the CD.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Perform a comprehensive market assessment, validate the operational and financial capacity of vendors, and set up and maintain a vendor roster, requesting all the potential suppliers to register in the corporate In-Tend system; (b) Work with the requesting units and develop a set of requirement and evaluation criteria for the tender evaluation process; (c) Assess the level of future procurement activities and consider requesting WFP headquarters to provide the CD with higher procurement delegations; (d) Monitor contract thresholds and ensure that any amendments are approved by the appropriate level of authority; and (e) Reinforce the monitoring process of contract expiration date to avoid post-factum POs.

Observation	Agreed action
<p>3 Monitoring and evaluation – Monitoring and evaluation activities</p> <p>The scale of operations in both conflict and non-conflict areas presented a challenge to the collection of data. The monitoring plan (output) for February 2016 was set at 12 percent coverage of the actual number of planned sites to be assisted. Actual coverage represented three percent of the assisted sites.</p> <p>TPM was in place in EMOP areas and an options paper for the PRRO had been drawn up based on corporate guidance which specified that TPM should be used in areas that are inaccessible to WFP staff and partners. The TPM contract started in 1 March 2016 for 12 months, and the TPM service provider had not yet submitted an overall project work plan, inception report or monthly monitoring reports. A comprehensive strategy for the implementation of monitoring activities, including TPM, was not yet in place.</p> <p>A low collection rate for CP distribution reports and direct distribution reports in some SOs, as well as their poor quality, was affecting the reconciliation process with WFP’s data and systems.</p> <p>Outcome monitoring plans for the sample months of October and November 2015 were implemented at an average of 60 percent. For all surveys, significant delays in data collection due to “competing priorities” impacted reporting on corporate indicators. On-site monitoring reports (distribution points, activity sites and shops) were not issued for all site visits. In addition, the SOs did not have a system for Back to Office Reports after returning from monitoring.</p> <p>Mechanisms for beneficiary complaints and feedback were limited to field visits in remote areas. Feedback was poor and some beneficiaries were not aware of available feedback channels. The need for an effective beneficiary complaint mechanism was also highlighted in recent donor verification reports.</p> <p><u>Underlying Cause</u> Shortage of staff and capital as well as lack of accountability and prioritisation at the SO level. Absence of a comprehensive operating strategy for the implementation of monitoring activities in line with programme objectives. New arrangements for the complaint and feedback mechanism were not yet validated and communicated to stakeholders. TPM is a fairly new monitoring concept for the CO.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Strengthen staff capacity and reinforce the accountability of SOs for conducting high quality monitoring on a timely basis; (b) Bring together the existing elements to establish a formal monitoring strategy that covers its operations. The strategy will describe the full range of activities, systems, reports, responsibilities and procedures required to establish an integrated monitoring system for conflict and non-conflict areas; (c) Conduct Accountability to Affected Population assessments followed by a Complaint and Feedback Mechanism, and ensure that the system supporting the mechanism includes procedures for recording, investigating, taking action and providing feedback to the complainant; and (d) Implement a process to ensure that monthly monitoring reports are submitted by the TPM on a timely basis.

Table 5: Medium-risk observations

Observation	Agreed action
<p>4 Risk assessment – Enterprise risk management and Emergency Preparedness and Response Package (EPRP)</p> <p>The risk log was missing key data such as end dates and details of mitigating actions was not always accurate. Certain high risks identified by the audit, for example weaknesses in the staffing and structure of the CO and the oversight of SOs, were absent. Separate assessments were made for risks related to security, monitoring and evaluation and logistics, and not consolidated into the risk register. Fifty seven percent of the Minimum Preparedness Actions had been completed.</p> <p>A compliance function was set up in 2015. There was no work plan for this function and no visits to the SOs/FOs had been undertaken. Reviews and reports were mostly prepared ad-hoc or upon request with no periodic progress reports on the status of internal controls or risk mitigation.</p> <p><u>Underlying Cause</u> Inadequate consolidation of risks; inadequate monitoring of the implementation of minimum preparedness actions; unclear requirements for compliance functions.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Strengthen the risk assessment procedures and improve the coordination of the overall risk assessment exercise with specific risk assessment exercises; (b) Ensure timely update and completion of outstanding Minimum Preparedness Actions for all functions and offices; and (c) Review and strengthen the current allocation of responsibilities for coordinating the EPRP exercise; and (d) Define the compliance officer function and develop a risk-based annual work plan for this function.
<p>5 Finance and accounting – Financial and accounting management</p> <p>The following weaknesses were noted:</p> <ul style="list-style-type: none"> (a) Despite the size of operations, Finance only carried out two oversight missions at SOs and FOs during the audit period; (b) The Minimum Monthly Closure open items remained consistently high; (c) Twice a year Finance was expected to verify the account balances of five to ten percent of the unit’s suppliers. In 15 months, this exercise was only performed once (April 2016) with a sample of 19 out of some 200 vendors. Responses were received from 10 suppliers and showed significant differences, in some cases up to USD 460,000 the reconciliation of which had not yet started at the time of the audit; (d) The CO was responsible for informing Operations, Supply Chain Logistics (OSCL) of each cash transfer between offices in writing after the cash had been received or if the cash was lost on the route. During the audit period, this was not done; and (e) Staff salaries in the Bor SO were mostly paid in cash (monthly average of USD 55,000), with no confirmation from the bank that all staff on the list had received their salary. <p><u>Underlying Cause</u> The Finance Unit faced challenges to meet the volume and type of work. It sought support from other units in addressing weaknesses in financial management with varying success.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Increase the number of oversight missions to SOs/FOs and ensure that issues raised in prior visits are addressed; (b) Clear all long outstanding items reflected in the Minimum Monthly Closure reports and ensure that agreed timelines are respected; (c) Conclude the vendor confirmation exercise while Finance completes the reconciliation and follows-up on the differences. In view of the materiality of the differences in the sample, consider expanding the sample to other vendors; (d) Ensure that all movements of cash above USD 2,000 are reported to OSCL before or at the same time as seeking Government authorisation; (e) Ensure that the Bor SO performs a follow-up with the bank, maintains evidence of payments to local staff and implements a procedure to confirm that, where applicable, the bank immediately informs the SO of any uncollected salaries and deposits them in the SO bank account.

Observation	Agreed action
<p>6 Programme management – Beneficiary registration and verification</p> <p>Some of the verification exercises performed by other UN organizations had been delayed because of security concerns and/or were outdated.</p> <p>Beneficiary identification processes were mostly based on barcoded cards, while in some locations registrations were input manually by WFP staff or its partners with paper-based beneficiary identification processes. Agreement between WFP, IOM and UNHCR on data sharing would allow more efficient beneficiary identification processes, including the use of biometrics.</p> <p><u>Underlying Cause</u> Challenges faced by IOM and UNHCR in conducting beneficiary verification exercises, and insufficient inter-agency coordination on joint use biometric data and recognition.</p>	<p>The CO will collaborate with IOM, UNHCR and Non-Governmental Organisation (NGO) partners to identify ways of enhancing the beneficiary identification process at distribution sites and will reactivate the registration working group as a forum for discussing beneficiary registrations. Where feasible, the CO will work with IOM and UNHCR on the use of biometric registration and the enhancement of data sharing protocols.</p>
<p>7 Programme management – NGO partners</p> <p>The Field Level Agreements (FLAs) for the implementation of EMOP and PRRO projects in 2016 had numerous purchase orders for distribution agreements that were not signed on a timely basis. Letters of Intent were signed with NGO partners for capacity strengthening of activities and warehouse management, although these should only be used for a short period of time until the FLA is signed.</p> <p>The NGO partner assessment process to determine the capacity of an NGO to meet programme delivery requirements and to identify and mitigate potential risks was not robust and did not allow for the identification of poorly performing NGOs.</p> <p><u>Underlying Cause</u> Weaknesses in supervisory controls and absence of a rigorous NGO assessment process.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Strengthen contracting of NGOs to ensure timely preparation and signing of FLAs and contracts, and that FLA-related POs are only raised after the agreement has been signed by both parties; and (b) Establish a thorough capacity assessment of NGOs.
<p>8 Programme management – UNHAS operations</p> <p>UNHAS operations in South Sudan service 248 UN agencies and NGOs, which are required to submit operation certificates, sign agreements and pay advance fares. Sixty five entities using UNHAS services had expired certificates and outstanding payments. Reconciliation of customer account receivables between the Takeflite aviation software and WINGS II was performed manually. UNHAS was in the process of updating its customer database.</p> <p>Minimum security requirements for air services were in place at the CO premises in Juba, but not outside the capital. UNHAS started to provide civil aviation training, however continuous training and capacity building activities were lacking.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Complete the process of collecting the registration certificates and advances and only allow those customers who have updated certificates and account balances to use UNHAS services; (b) Develop a security training plan and discuss with the civil aviation security authorities the possibility of continuous air security training in the areas where UNHAS operates; (c) Develop a procedure that includes criteria for pricing, quality and performance for the allocation of fuel uplifts among vendors; and

Observation	Agreed action
<p>Suppliers of Jet A1 fuel were providing UNHAS with variable rates on a monthly basis. The CO did not verify the adequacy of the fuel prices through independent commodity price information systems nor did it clearly document the allocation of fuel to primary and secondary suppliers. In May 2016, 64 percent of the total monthly fuel uplifts was purchased from the supplier with the lowest rate and 36 percent was allocated to other suppliers. This created a risk that suppliers who offered a slightly lower rate would be favoured even if the price difference to the second cheapest bidder was minimal without also considering service quality and availability.</p> <p><u>Underlying Cause</u> No interfacing between the aviation software and WINGS II; Insufficient security training by UNHAS to the local civil aviation authorities (although some training activities had recently been introduced); weak internal control over jet fuel prices and allocation.</p>	<p>(d) Liaise with WFP's Aviation Service (OSLA) for training on PLATTS and procedures to systematically verify the correctness of prices for Jet A1 fuel.</p> <p>OSLA will:</p> <p>(e) Assess the feasibility of developing an interface between the Takeflite and WINGS II applications.</p>
<p>9 Transport and logistics – Service invoice verification, allocations to transporters under the tariff system and management of food commodities in warehouses</p> <p>The verification of service provider invoices and reconciliation of vouchers were not strictly performed. At the Bor SO, the food tonnage quantities distributed to transporters was not in line with the CO's allocation criteria. Earmarked commodities were identified by the respective batch number but these numbers were not recorded in the distribution plans or the Food Release Notes.</p> <p><u>Underlying Cause</u> Weak segregation of duties or compensating controls over vouchers, food allocation to transporters and earmarked commodities.</p>	<p>The CO will:</p> <p>(a) Reinforce the use of the Voucher Reporting Log, assign staff for the preparation and approval of voucher reconciliations and implement controls for service provider invoice verification;</p> <p>(b) Periodically perform a reconciliation of actual to planned transport allocations and present an analysis of how cargo was allocated for review at the Tariff Award System; and</p> <p>(c) Introduce a mechanism for the coordination of distribution plans and the recording of information in such plans and Food Release Notes to ensure that earmarked commodities are always managed separately and delivered to the right beneficiaries.</p>
<p>10 Security – Compliance with Minimum Operating Security Standards (MOSS) and Minimum Operating Residential Security Standards (MORSS); Safe and Secure Approaches in Field Environments (SSAFE) certification</p> <p>Access controls at the CO compound were weak. No consolidated data on SSAFE training and certification was available. The audit noted a number of cases where the certification of staff had expired or had not yet been provided. Following the audit's enquiry, outstanding recommendations from security assessment missions performed by the United Nations Department of Safety and Security UNDSS were brought down significantly.</p> <p><u>Underlying Cause</u> Sub-standard quality of outsourced security services; weak monitoring over compulsory security training.</p>	<p>The CO will:</p> <p>(a) Increase checks of MOSS/MORSS compliance by WFP staff to complement the controls provided by external security guards; and</p> <p>(b) Keep centralized records of all CO staff and ensure full compliance with SSAFE training requirements.</p>

Observation	Agreed action
<p>11 Property and equipment – Asset management</p> <p>The operational context exposed the CO to high risks such as theft, looting and floods. However except for vehicles, assets and equipment were not covered by an insurance policy against such risks.</p> <p>A physical count initiated in June 2015 showed assets with a total value of USD 4.8 million as not verified, and a significant number of items not tagged or input in the Global Equipment Management System (GEMS). Looted items from field locations totalling USD 1.6 million were still recorded in GEMS. At the time of audit, one year later, the inventory count was not yet finalised and no action had been initiated to report missing items to management for investigation and/or write-off.</p> <p><u>Underlying Cause</u> Untimely inventory and loss/write-off disclosure.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Explore possibilities for insuring assets and equipment against theft, fire, floods and other high risks; (b) Investigate the physical and systems discrepancies, tag and value outstanding items and update GEMS accordingly; and (c) Submit a list of all missing items and broken items to the Local Property Survey Board for investigation or write-off.
<p>12 Resource mobilization – Budget monitoring and resource transfer</p> <p>The resource management unit, responsible to monitor the overall project budgets and contributions received, did not have visibility on the budget updates of individual units. A process to monitor offline commitments was not in place. Expenditures were charged to incorrect budget lines by spending units. The CO had to return approximately USD 400,000 to one donor due to delays in initiating project activities.</p> <p>EMOP 200659 had outstanding Immediate Response Account (IRA) advances of USD 4.3 million and outstanding advances of USD 12.1 million related to current projects not covered by collateral. A repayment plan had not been drawn up and there was no confirmation from WFP headquarters that the IRA advance for EMOP 200659 would be converted into a grant.</p> <p><u>Underlying Cause</u> Insufficient budget coordination and consolidation; delayed financial closure of the EMOP 200659.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Streamline and harmonise its budget and programming reporting; (b) Establish a process to monitor offline commitments and include any foreseeable expenditure in the overall budget analysis; and (c) Finalise the outstanding resource transfer process and seek solutions with RMB for addressing possible deficits and IRA repayments.

Observation	Agreed action
<p>13 Information and communications technology (ICT) – ICT activities</p> <p>The IT Emergency Telecommunications Cluster (ETC) actions set out in the 2016 work plan were not aligned with the ETC project objectives, with several ICT activities addressed at UN agencies and NGOs that were not included in the objectives. Most of the NGOs benefitting from the Cluster’s ICT services had not signed the Memorandum of Understanding with WFP due to lack of funding.</p> <p>Most of the business cases for application development did not have a timeline and cost estimate, and the requirements set by the requesting units were not clearly defined. There was also no check to ensure the functionalities requested were not already provided through corporate applications. This gave rise to change requests during user acceptance testing, resulting in additional costs and delays.</p> <p>Users were not consulted before the IT Disaster Recovery Plan was finalized and presented for approval in January 2016. SOs faced challenges using corporate applications due to high bandwidth requirements and not all SOs had sufficient back-up power supply.</p> <p><u>Underlying Cause</u> The ETC work plan did not reflect and articulate all objectives as per the project document; ICT initiatives and projects were not sufficiently assessed and scrutinized; the ICT infrastructure of some SOs was not sufficient.</p>	<p>The CO will:</p> <ul style="list-style-type: none"> (a) Align the work plan activities with the objectives stated in the ETC project documents; (b) Collaborate with the UN-ICT team to consolidate all ICT services provided by WFP South Sudan to other agencies and NGOs in the overall ETC project plan; (c) Require all organisations to sign a Memorandum of Understanding with WFP South Sudan and create a Third Party Agreement account to record all financial transactions related to the additional ICT services provided by WFP to other organisations; (d) Ensure that corporate techniques for evaluating ICT initiatives and managing ICT projects are followed; and (e) Assess the power and connectivity requirement, consider installing a dedicated back-up power source and invest in additional bandwidth if required.

Annex A – Summary of categorization of observations

The following table shows the categorisation ownership and due date agreed with the auditee for all the audit observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

Observation	ICF	Risk categories		Underlying cause category	Owner	Due date
		WFP's Management Results Dimensions	WFP's Risk Management Framework			
1 Organizational structure – Staffing, skills and staff wellness	Operational	People Accountability and Funding	Institutional	Resources	SSCO	31 March 2017
2 Procurement – Procurement activities	Operational Compliance	Processes and Systems	Institutional	Compliance	SSCO	(a) 31 March 2017 (b) 31 December 2016 (c) 31 December 2016 (d) 31 December 2016 (e) 31 December 2016
3 Monitoring and evaluation – Monitoring and evaluation activities	Operational Compliance	Programmes Processes and Systems	Institutional Programmatic	Resources Guidelines	SSCO	(a) 30 June 2017 (b) 30 June 2017 (c) 31 December 2016 (d) 31 December 2016
4 Risk assessment – Enterprise risk assessment and EPRP	Compliance Operational	Processes and Systems	Institutional	Guidance Compliance	SSCO	(a) 31 December 2016 (b) 31 December 2016 (c) 31 December 2016 (d) 31 March 2017
5 Finance and accounting – Financial and accounting management	Compliance	Accountability and Funding	Institutional	Compliance	SSCO	(a) 31 March 2017 (b) 31 December 2016 (c) 31 December 2016 (d) 31 December 2016 (e) 31 December 2016

Observation	Risk categories		Underlying cause category	Owner	Due date
	ICF	WFP's Management Results Dimensions			
6 Programme management – Beneficiary registration and verification	Operational	Accountability and Funding	Institutional Programmatic	SSCO	31 March 2017
7 Programme management – NGO partners	Operational	Processes and Systems	Institutional Programmatic	SSCO	31 December 2016
8 Programme management – UNHAS operations	Operational Compliance	Processes and Systems	Institutional Programmatic	SSCO OSLA	(a) 31 December 2016 (b) 31 December 2016 (c) 31 December 2016 (d) 31 December 2016 (e) 30 June 2017
9 Transport and logistics – Service invoice verification, allocations to transporters under the tariff system and management of food commodities in warehouses	Operational Compliance	Processes and Systems Programmes	Institutional Programmatic	SSCO	31 December 2016
10 Security – MOSS/MORSS compliance and SSAFE certification	Operational Compliance	Processes and Systems	Institutional	SSCO	(a) 31 December 2016 (b) 30 June 2017
11 Property and equipment – Asset management	Compliance	Accountability and Funding	Institutional	SSCO	31 December 2016
12 Resource mobilization – Budget monitoring and resource transfer	Compliance	Accountability and Funding	Institutional	SSCO	31 December 2016
13 Information and communications technology – ICT activities	Compliance Operational	Processes and Systems	Institutional	SSCO	(a) 31 December 2016 (b) 31 December 2016 (c) 31 March 2017 (d) 31 December 2016 (e) 31 December 2016

Annex B – Definition of categorization of observations

1. Rating system

1. 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 B.1: 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. No issues identified were such that the achievement of the overall objectives of the audited entity could be seriously compromised.	Reasonable assurance cannot be provided.

2. Risk categorisation of audit observations

2. 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 B.2: 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.

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.

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

3. WFP's Internal Control Framework (ICF)

4. 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 and revised in 2015.

5. WFP defines internal control as: "a process, effected by WFP's Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, compliance."⁴ WFP recognises five interrelated components (ICF components) of internal control, all of which need to be in place and integrated for them to be effective across the above three areas of internal control objectives.

Table B.3: Interrelated Components of Internal Control recognized by WFP

1	Control Environment:	Sets the tone of the organization and shapes personnel's understanding of internal control.
2	Risk Assessment:	Identifies and analysis risks to the achievement of WFP's objectives through a dynamic and iterative process.
3	Control Activities:	Ensure that necessary actions are taken to address risks to the achievement of WFP's objectives.
4	Information and Communication:	Allows pertinent information on WFP's activities to be identified, captured and communicated in a form and timeframe that enables people to carry out their internal control responsibilities.
5	Monitoring Activities:	Enable internal control systems to be monitored to assess the systems' performance over time and to ensure that internal control continues to operate effectively.

4. Risk categories

6. 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 B.4: Categories of risk – based on COSO frameworks and the Standards of the Institute of Internal Auditors

1	Strategic:	Achievement of the organization's strategic objectives.
2	Operational:	Effectiveness and efficiency of operations and programmes including safeguarding of assets.
3	Compliance:	Compliance with laws, regulations, policies, procedures and contracts.
4	Reporting:	Reliability and integrity of financial and operational information.

7. 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:

⁴ OED 2015/016 para.7

Table B.5: 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 B.6: 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.

5. Causes or sources of audit observations

8. Audit observations are broken down into categories based on causes or sources:

Table B.7: 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.

6. Monitoring the implementation of agreed actions

9. 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

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.

Annex C – Acronyms

CD	Country Director
CO	Country Office
CP	Cooperating Partner
EMOP	Emergency Operation
EPRP	Emergency Preparedness and Response Package
ETC	Emergency Telecommunications Cluster
FLA	Field Level Agreement
FO	Field Office
GEMS	Global Equipment Management System
ICT	Information and communications technology
IOM	International Organization for Migration
IRA	Immediate Response Account
LESS	Logistics Execution Support System
MOSS	Minimum Operating Security Standards
MORSS	Minimum Operating Residential Security Standards
MPO	Micro Purchase Order
NGO	Non-Governmental Organisation
OSCL	WFP's Supply Chain Logistics
PO	Purchase Order
PRRO	Protracted Relief and Recovery Operation
SO	Sub Office
SSAFE	Safe and Secure Approaches in Field Environments
SSR	Structure and Staffing Review
TPM	Third Party Monitoring
UNHAS	United Nations Humanitarian Air Service
UNHCR	United Nations High Commissioner for Refugees
UNMISS	United Nations Mission in South Sudan
USD	United States Dollar
WINGS II	WFP Information Network and Global System, WFP's ERP system
WFP	World Food Programme