

Internal Audit of Human Resources Management in Country Offices

Office of the Inspector General
Internal Audit Report AR/16/15



World Food Programme

Contents

	Page
I. Executive Summary	3
II. Context and Scope	6
III. Results of the Audit	8
Annex A – Summary of categorization of observations	17
Annex B – Definition of categorization of observations	19
Annex C – Acronyms	23

Internal Audit of Human Resources Management in Country Offices

I. Executive Summary

Introduction and context

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of Human Resources Management in Country Offices. The audit covered the period from 1 January 2015 to 30 June 2016, and looked at events prior and subsequent to this period as required. The audit team conducted the fieldwork from 29 August to 16 September 2016. This included work at WFP headquarters in Rome; specific audit visits to the Cameroon, Ecuador, Kyrgyzstan, Philippines, Somalia and Swaziland Country Offices; a review of related corporate processes that impact across WFP; and a review of work on human resources processes carried out during recent internal audits.

WFP operates in more than 80 countries around the world, with a global workforce of over 15,000 employees of whom nearly 86 percent are nationally recruited. These national personnel, both staff and non-staff, are the backbone of WFP; the organisation's ability to deliver in the countries where it operates depends greatly upon their skills, capabilities and engagement. In accordance with WFP's de-centralised management model the management of these national personnel has largely been delegated to WFP's Country Offices, providing efficiencies and flexibility as well as challenges and risks associated with the discharge of delegated responsibilities by managers and HR personnel in the field.

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

Audit Conclusions

3. The audit noted WFP's strong commitment to engage a qualified and able workforce with the right skills and in the right roles to fulfil its humanitarian response and capacity building mandates. In 2014 WFP reaffirmed its commitment to the United Nations Secretary-General's Zero Hunger Challenge through the development of the 2014-2017 People Strategy. The 2016-2020 Human Resources Capacity Strategy further strengthened this commitment by defining the vision of the HR function and laying out a transformational agenda for human resources management in response to WFP's increasingly challenging funding and operational environments, changing intervention modalities and the evolving talent acquisition landscape.

4. The audit observed however that WFP's decentralised human resources management function, while appropriate for the organisation's operational context, has associated risks. These risks relate to the resources, technical capacities and skills available to perform, support and oversee human resources management in Country Offices, which in some cases may not be fully adequate to support such areas as development of talent acquisition strategies, determination of compensation structures, and workforce planning. Moreover, WFP's reliance on voluntary contributions adds a layer of complexity that hinders the organisation's ability to retain skills and build capacities.

5. The audit noted that continued attention is required with respect to the extensive use of temporary contract modalities, representing 57 percent of WFP's global workforce, a practice which

does not fully align with wider organisational objectives of implementing “fit-for-purpose” contractual arrangements and shifting the focus of people management to the country-level and national staff.

6. The audit noted a number of positive practices including: the harmonization of the conditions of service for 3,400 locally recruited staff in field offices through the Local Staff Transfer Project (LSTP); deployment of the e-recruitment tool; and improvements in the visibility and accessibility by employees of HR policies and deployment of employee self-service information tools. Additionally the National Staff Project (NSP), which commenced in October 2016 and is chaired by the Executive Director, will evaluate and formulate recommendations in relation to issues affecting the working conditions and prospects of national staff and other locally recruited personnel, including the utilisation of temporary contract modalities.

7. The audit of Human Resources Management in Country Offices concluded that internal controls, governance and risk management practices were generally established and functioning, but needed improvement. Several weaknesses that may negatively affect the achievement of the objectives of the audited process were identified.

8. 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, according to internal control component:

Table 1: Summary of risks by Internal Control Component

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

Key Results of the audit

9. The audit report contains two high-risk observations and 11 medium-risk observations. The high risk observations are:

Workforce planning - Workforce planning activities at the Country Office level were observed to be limited in scope and reactive in nature. Concepts and methods of workforce planning are in most cases not well defined or understood, and the demands of employee management transactional work were observed to contribute to Country Office human resources functions which are not equipped with the skills and tools to perform appropriate workforce analysis. Integrated strategies to build, buy, and borrow workforce talent, skills and capacity are yet to be developed.



Service Contract modalities – While providing flexibility to scale up WFP’s workforce in response to surges in activity, the audit observed that Service Contract modalities are being extensively used for periods well beyond the suggested corporate guidelines, and that Service Contract holders are fulfilling core, managerial and technical positions not intended for temporary personnel. The short nature and uncertainty associated with temporary contracts was identified by WFP personnel and managers as one of the main contributing factors for employees leaving the organisation. The audit noted that there is no structured career path or career planning in place for Service Contracts even though they make up to 57 percent of WFP’s total workforce and may be long-serving de-facto employees of WFP.

Observations are detailed in Section III, Tables 4 and 5.

Actions agreed

10. Management has agreed to address the reported observations and work is in progress to implement the agreed actions.

11. 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

Human Resource Management in Country Offices

12. WFP operates in more than 80 countries and employs over 15,000 personnel to implement a variety of emergency, relief and capacity building programmes in conflict and development settings, reaching over 76 million people in 2015. The complexity of managing a large, diverse and dispersed workforce in complex operating environments has given rise to a decentralised Human Resources (HR) support model which delegates significant functions including talent acquisition and compensation, benefits and employee management for nearly 86 percent of WFP's total workforce to Country Offices (COs).

13. To address the challenges of managing its workforce WFP defined a number of imperatives in its 2014-2017 People Strategy including:

- *Reinforcing a performance mind set*: Embed WFP values and behaviours and refresh performance management to recognise and reward good performance, identifying criteria for success and demanding individual accountability.
- *Building WFP's talent*: Develop career frameworks and provide opportunities for learning and growth to make WFP a desirable place to work.
- *Shifting the focus*: Make the country level the central focus of WFP, and define long-term projects to ensure that national staff are engaged and provided with opportunities to continue building their capacities in response to operational and strategic organisational needs.
- *Equipping high-impact leaders*: Mobilise senior leaders, enhance leadership and management capabilities to deliver on WFP's strategic objectives, and hold senior leaders accountable.

14. To effectively support the achievement of these strategic objectives and address emerging challenges WFP's Human Resources Division (HRM) developed the 2016-2018 HR Functional Strategy identifying three major imperatives relevant to the HR function as follows:

- *Solving Problems closest to the Beneficiary* by understanding the local workforce context and its implications to develop HR strategies aligned with local organisation strategies, making WFP more effective at the point of need.
- *Sourcing, Developing and Deploying Talent* by ensuring that HR people and skills capabilities are optimally designed and available at the Regional and CO level.
- *Engaging and Aligning People to WFP's mission* by linking individuals to the organisational sense of purpose, creating meaningful experiences for employees to enhance their engagement, overall organizational performance and service delivered to beneficiaries.

15. The implementation of both the People Strategy and HR Functional Strategy at the CO level relies on the work of over 260 HR personnel in COs, the support and monitoring of these by the HR function in six Regional Bureaux (RBs), and continuous policy and strategic review by HRM in Rome to ensure strategies remain aligned to WFP's mission of ending global hunger.

16. The HR function in COs will continue to play a pivotal role in aligning WFP's workforce capabilities with the new operating models brought about by upcoming WFP transformational

initiatives including the 2017-2021 Strategic Plan, the Country Strategic Plan approach, the Financial Framework Review and the Corporate Results Framework.

Objective and Scope of the Audit

17. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of human resources management in country offices. 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.

18. 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.

19. The scope of the audit covered human resources management in WFP COs from 1 January 2015 to 30 June 2016. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork took place in WFP headquarters in Rome, and in COs in Cameroon, Ecuador, Kyrgyzstan, Philippines, Somalia and Swaziland. In addition, information was obtained from Regional Bureaux and other relevant sources.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

Control Environment

- Development of HRM’s Functional Strategy outlining several goals and initiatives to strengthen the HR function across the organization.
 - Harmonized conditions of service for 3,400 locally recruited staff in field offices through the Local Staff Transfer Project, with a smooth and effective communication and simultaneous execution of the project in over 80 countries.
 - Achievement of 14 out of the 17 people strategy dimensions reflected in the 2015 Global Staff Survey showing positive improvement when compared to 2012.
 - Formation of the National Staff Project and assignment of a project leader and project manager to address issues and concerns regarding the levels and conditions of WFP’s non-staff personnel in the field.
-

Control Activities

- Recent deployment of the e-recruitment tool aimed at increasing the effectiveness and efficiency of the employment application intake and analysis processes.
 - Improved visibility and accessibility of HR policies and information to employees through the development of the HR intranet portal and employee self-service tools.
-

21. 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 examined:

Table 3: Conclusions on risk, by Internal Control Component and Business Process

	Internal Control Component/Lines of enquiry	Risk
1.	Control environment	
	Transition of FAO regulations	Low
	Policies, procedures and guidelines and corporate strategy	Medium
	Role and functional capacity (of the HR function in the field)	Medium
2.	Risk assessment	
	Enterprise risk management in the context of HR	Low
3.	Control activities	
	Hiring and staffing – workforce planning	High
	Compensation and benefits – compensation structures	Medium
	Employee management- performance management	Low
4.	Information and communication	
	Employee records management	Medium
5.	Monitoring activities	
	Monitoring of performance of the HR functions in COs	Medium

22. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of partially satisfactory¹.

23. The audit made two high-risk and 11 medium-risk observations. Tables 4 and 5 below present the high and medium-risk observations respectively.

Action agreed

24. Management has agreed to take measures to address the reported observations. Work is in progress to implement the agreed actions.²

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: High-risk observations

Observation	Agreed action
<p>1 Control activities – Workforce planning</p> <p>Workforce planning activities at the CO level were in most cases observed to be limited to the revision of staff budgets and to the performance of ad-hoc Staffing and Structure Review (SSR) exercises, leading to lost opportunities to realign staff profiles and optimise staffing structures. The audit noted that CO's Human Resources Officers (HROs) and Country Directors (CDs) did not have a clear understanding of workforce planning beyond the current approach, and perceived the HR function as needing additional tools, skills and capacity to be able to perform workforce analysis. Further, guidelines, guidance and illustrations on how to close skill gaps using integrated build, buy, and borrow strategies have yet to be developed or coherently integrated for effective implementation.</p> <p><u>Underlying cause:</u> Absence of guidelines and guidance for COs regarding workforce planning; lack of understanding and capacity to perform workforce analysis.</p>	<p>HRM will develop guidelines and will provide guidance on workforce planning to HROs and CDs, ensuring processes and tools are established and implemented following a defined structure and integrated approach.</p>
<p>2 Control activities – Service Contract modalities</p> <p>Service Contract (SC) modalities are temporary contract modalities that provide WFP with flexibility to scale up and down its workforce in response to emergencies. The audit noted that SC contracts were in many cases used well beyond their intended period, creating de-facto continuous employment relationships with WFP. In some cases locally recruited non-staff represented between 70 to 90 percent of the total employees in COs.</p> <p>SC holders were observed to be serving in core, managerial and technical positions not intended for temporary staff. Employees, line managers and CDs identified the short nature and uncertainty associated with temporary contracts (sometimes as short as a few months) as one of the main contributing factors for employees leaving the organisation. This is at a cost for the administrative processing of these contracts. The audit also noted that there is no structured career path or career planning for SCs, even though they make up to 57 percent of WFP's total workforce and may be long-serving; over 10 years in some cases observed.</p> <p>There is lack of progress in meeting the objectives of WFP's People Strategy with regard to the application of appropriate contract modalities.</p> <p><u>Underlying cause:</u> Misinterpretation of existing guidelines and utilisation of SC modalities. Perceived performance management weaknesses. Maximum periods and numbers of contract renewals not defined in corporate guidelines. Insufficient workforce planning and oversight from Regional Bureaux (RBs).</p>	<p>1. HRM will:</p> <p>(a) Strengthen SC guidelines, re-emphasising the conditions under which these contract modalities may be extended, and link to the outputs from the agreed actions for Observation 1 to provide for periodic evaluation of SC contract modalities; and</p> <p>(b) Coordinate with RBs to enhance oversight over the correct application of SC contract modalities, and to collect and report statistics required by the National Staff Project (NSP).</p> <p>2. OED, via the National Staff Project and in coordination with LEG, RM and HRM, will set specific objectives, timelines and actions to address issues noted regarding the utilisation of SC contract modalities.</p>

Table 5: Medium-risk observations

Observation	Agreed action
<p>3 Control environment – Recruitment process governance</p> <p>Guidelines over recruitment panels and recruitment governance mechanisms were not aligned across contract modalities. The decentralisation and high level of authority delegated to CO management over the recruitment of Special Service Agreements (SSAs) was not accompanied by effective governance mechanisms to provide checks and balances over hiring decisions.</p> <p>Whilst corporate guidelines partially address potential conflict of interest scenarios regarding the recruitment of candidates, the accompanying disclosures of these conflicts of interest were observed to not form part of recruitment records. These conditions potentially diminish the transparency of recruitment processes, and increase the risks of abuse of power and the on-boarding of unqualified candidates.</p> <p><u>Underlying cause:</u> Outdated guidelines relating to the composition and responsibilities of recruitment panels and CO managers. Corporate guidelines not providing checks and balances regarding the recruitment of SSAs. Unclear definition of conflict of interest with respect to recruitment processes.</p>	<p>HRM will:</p> <p>(a) Strengthen guidelines regarding governance and oversight mechanisms in relation to the recruitment process; provide guidance to RBs on the involvement of CDs in the recruitment process; and harmonise governance mechanisms across contract modalities where appropriate; and</p> <p>(b) Coordinate with Ethics on the definition of minimum conflict of interest requirements and disclosure mechanisms to support the recruitment process.</p>
<p>4 Control environment – Alignment of strategy and work plans</p> <p>The 2014-2017 WFP People Strategy identifies 4 imperatives and 11 different initiatives aimed at creating a blueprint for how WFP intends to reinforce, build, retain and recruit its workforce. Some of these imperatives and initiatives had not been effectively reflected and translated into the people dimension of COs' Annual Performance Plans, including: the development of career frameworks and skills; establishment of overall workforce planning capabilities; refinement of WFP's employee value proposition and talent acquisition strategy; enhancement of skills and capacities of national staff; and adaptation and implementation of fit-for-purpose contractual arrangements for national staff. The misalignment between WFP's HR strategy and COs' work plans increases the risk that strategic objectives will not be achieved and that COs' contribution to the people strategy will not be captured.</p> <p><u>Underlying cause:</u> Need for alignment of resources to strategic objectives; and clearer practical guidance on the implementation of the People Strategy. Competing priorities impacting the full implementation of HR strategic objectives at the CO level.</p>	<p>HRM will:</p> <p>(a) Define for future people strategies a roadmap for the implementation of strategic objectives by HRM and COs, providing clear and practical guidance to COs on their responsibility and accountability regarding the implementation of actions in support of the strategy; and</p> <p>(b) Prepare an advocacy and engagement plan to garner support for the strategy.</p>

Observation	Agreed action
<p>5 Control environment – Human Resources functional capacity in Country Offices</p> <p>The audit noted a potential lack of HR functional capacity and skills in some COs; in some instances ratios of personnel to HR staff were indicative of understaffed HR functions, while in other cases COs did not have the support of professional-grade HR personnel. National HR functional capacities were in some cases not sufficient to provide local expertise and context. In addition, RBs were observed to be filling in significant functional capacity gaps for COs without commensurate resources, hampering their ability to provide HR oversight.</p> <p><u>Underlying cause:</u> HR function in the field primarily devoted to transactional personnel management work. Gap in skills and capacity of the HROs in COs.</p>	<p>HRM will implement the initiatives put forward in the 2016-2018 HR Functional Strategy to strengthen the HR function in COs, setting and defining specific deliverables and deadlines, and will work closely with COs to secure the budgetary support required for the fulfilment of the objectives foreseen in the strategy's roadmap within identified corporate priorities.</p>
<p>6 Control activities – Talent acquisition in COs</p> <p>Talent acquisition strategies to guide the identification, sourcing, attraction, selection, hiring and induction of people with appropriate competencies to fill employment openings were in most cases observed to be absent in COs reviewed. The audit noted talent identification and sourcing channels were not adequate or tailored to niche job profiles. Talent acquisition efforts in high-risk contexts were constrained by perceived security risks and required additional strategies to on-board and retain qualified candidates. Moreover, talent acquisition strategies had not been developed to consider rent or buy options, or to proactively search for talent.</p> <p>New channels for talent acquisition (including social media) were being explored without defined guidelines or alignment with corporate communication policies. Moreover, analysis of talent acquisition efforts had not been carried out to identify the most effective and efficient approaches and channels.</p> <p><u>Underlying cause:</u> Absence of a focused, efficient and effective talent acquisition approach and strategy with tangible, clear and practical guidelines and tools for field operations.</p>	<p>HRM will:</p> <ul style="list-style-type: none"> (a) Implement the 2016-18 HR Functional Strategy in support of improved talent acquisition, providing clear and practical guidelines, tools and guidance to HR functions in COs; and (b) Work with PGM in the development or adaptation of policies to guide COs on the use of social media and/or other suitable channels in the dissemination of vacancy announcements and corporate information.

Observation	Agreed action
<p>7 Control activities – Recruitment processes in COs</p> <p>The audit observed control gaps in the receipt of applications, potentially compromising the complete consideration of all applicants and the transparency of recruitment processes. Background checks were observed to be sporadic and inconsistent, were not adequately designed to achieve the process objectives, and were not adapted to high security risk environments. In a number of cases competency based interview questions did not exist for certain job profiles, and there was no catalogue or library of written recruitment tests for different functional areas. The audit observed that the employment application intake and evaluation process is an intensely manual process leading to inconsistencies and gaps in the evaluation of applicants.</p> <p><u>Underlying cause:</u> Business process and control gaps; manual and decentralised processes and resources which are not harmonised and centrally managed; recruitment policy gaps.</p>	<p>HRM will:</p> <ul style="list-style-type: none"> (a) Roll out e-recruitment, ensuring its functional capabilities address the issues highlighted; (b) Review and enhance policies on background checks and explore corporate solutions (including outsourcing) to ensure these are consistently performed and tailored to the security risk profile of WFP operations; and (c) In conjunction with relevant functional units, support the systematic and periodical update of interview questions, and develop and deploy a database of baseline written recruitment tests.
<p>8 Control activities – Employee on-boarding, training and separation</p> <p>The audit observed that orientation and induction processes were not comprehensive or consistent. Training requests were generally not aggregated to enable the prioritisation and allocation of resources and were generally not accompanied by matching budget allocations. Handover of responsibilities lacked consistency, completeness and structure. Recent tools developed by HRM and recently communicated corporate policies may partially mitigate the issues highlighted. Additionally, there is no formal or structured exit interview process for the organisation.</p> <p>These issues may negatively impact the productivity of staff, hinder the correct identification of training needs and resources, and may represent lost opportunities to identify and address reasons for personnel departures.</p> <p><u>Underlying cause:</u> Absence of standard orientation processes, induction guidelines and materials for newly hired employees; gaps in corporate policies and procedures for exit interviews; lack of training coordination mechanisms at the CO, regional and corporate levels impacting the field operations.</p>	<p>HRM will:</p> <ul style="list-style-type: none"> (a) Develop guidelines and templates for the effective orientation and induction of new employees; (b) Develop mechanisms for the coordination of learning and development initiatives, ensuring the proposed timing and required funding and resources are fully considered; and (c) Develop exit interview policies and consider developing tools to systematically capture and analyse exit interview results.

Observation	Agreed action
<p>9 Control activities – National non-staff salary scales and pay adjustments</p> <p><i>National non-staff salary scales</i></p> <p>The audit expected the basis for SC holder remuneration to be consistent with prevailing levels of pay for similar functions and comparable work in the local labour market, using the local salary survey data as guidance, and in line with corporate policy. The audit noted that WFP's SC remuneration policy objectives were not explicitly linked to the principles generally applied by the UN in relation to non-staff remuneration. Moreover, in some instances salary scale surveys for SC and SSA contract modalities had not been regularly updated, made available to or used by WFP. These conditions led to the application of measures and practices that were not consistent with a transparent and systematic estimation of compensation levels for national non-staff.</p> <p><i>Pay adjustments</i></p> <p>The audit noted that salary increases were being used by COs as a tool to incentivise and reward good performance by SC holders. However, the application of pay increases was not systematic or supported by appropriate documentation to justify approval. Moreover, salary increases were not budgeted as part of staff costs.</p> <p><u>Underlying cause:</u> Lack of RB oversight over compensation strategies and a compensation function in WFP to provide support. Decentralised processes for determining national non-staff compensation not accompanied with defined roles and responsibilities, technical capacity or guidelines. Insufficient involvement of COs in externally conducted salary scale surveys.</p>	<p>HRM, together with Regional Bureaux HROs, will:</p> <ul style="list-style-type: none"> (a) Assess and determine the extent of inconsistencies in compensation of national non-staff across COs; and (b) Based on the results of this assessment review the pay adjustment policy and incentive mechanisms for non-staff contract modalities.

Observation	Agreed action
<p>10 Control activities – Staffing and Structure Review exercises</p> <p>Corporate guidelines provide for the periodic review of staffing structures to ensure these are fit for purpose.</p> <p>The audit noted that while funding constraints were the main reason for launching SSRs, clear quantified objectives were not always set to serve as a starting reference point. SSR exercises were generally not accompanied by risk assessments, and financial analysis was not always sufficient to provide management with adequate information for decision-making. Moreover, SSRs were not always supported by pre-defined suggested core staffing structure or profiles to provide a baseline for the exercises. The SSR guidelines for managers do not concisely clarify the roles, responsibility, accountability and authority of CDs when conducting an SSR.</p> <p>Rationale for adjustments to individual positions, such as changes in grades or abolishment of positions, were not documented in a coherent manner that would provide adequate support if decisions were challenged.</p> <p><u>Underlying cause:</u> SSR guidelines not conducted following a consistent and robust methodology. Lack of suggested baseline CO structures, financial analysis tools and defined frequencies for undertaking SSR reviews on a proactive, regular basis.</p>	<p>HRM will:</p> <p>(a) Define methodologies and develop tools for consistent and complete SSR analysis; and</p> <p>(b) Strengthen guidelines on the performance of SSRs to address issues noted, including the development of baseline CO structures to provide a reference point to management in the field.</p>
<p>11 Control activities – Social Security transfers to Service Contracts</p> <p>The audit noted that local employer obligations were not always well understood, tracked or monitored by COs, RBs and WFP HQ to assess the degree of alignment between practices and principles with respect to Social Security transfers. WFP's reliance on commonly agreed UN CO-level practices and certificates of no contest may not be sufficient.</p> <p>Additionally, the audit noted that there are no guidelines for COs on the potential for tax recoveries from host governments of amounts transferred through non-staff under the 1947 Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations.</p> <p><u>Underlying cause:</u> Insufficient knowledge by COs, RBs and HQ of SS obligations and absence of comprehensive review by HRM of Social Security obligations for all relevant jurisdictions. Lack of awareness and technical capacity of CO-level HR function to assess and set appropriate local Social Security policies.</p>	<p>HRM will:</p> <p>(a) In coordination with LEG undertake a comprehensive review and identification of the employer obligations for all the jurisdictions where WFP operates, performing a gap and risk analysis with regard to Social Security transfers (and other employer obligations) for each jurisdiction, and advise COs if there are significant gaps between principles and practices; and</p> <p>(b) Review the appropriateness and risks associated with current decentralised Social Security evaluation and estimation processes, assessing the capacity of COs and RBs to assume these tasks and the potential for RBs or HQ HRM to assume such responsibilities or enhance their involvement in the process.</p>

Observation	Agreed action
<p>12 Information and communication - Automation, information and data management</p> <p>The audit noted several opportunities to enhance the efficiency and effectiveness of HR processes and allow for improved oversight through the automation of processes and data management. In particular, it was noted that WFP utilises three payroll systems, including outsourced services, posing a limitation in the ability of the HR and finance units to obtain and analyse information. The fees agreed for the provision of payroll support services have risen by an average of 15 percent per annum since 2013 without a comprehensive review of the process and cost effectiveness of these outsourced arrangements.</p> <p>In addition, automated systems are not available to prepare key payroll reports and manage employee records. Other opportunities were noted to enhance employee and records management processes which are currently intensively manual and paper-based.</p> <p><u>Underlying cause</u>: Lack of review of the outsourcing of national fixed term payroll system and need for a comprehensive review of HR processes for identification of process efficiency and automation opportunities.</p>	<p>HRM will perform a comprehensive review of HR processes including hiring and staffing, compensations and benefits, and employee and records management, identifying opportunities to automate these, and will implement a plan to minimise manual processes and maximise the efficient and effective utilisation of the time of HR personnel.</p>
<p>13 Monitoring activities – Oversight of Human Resources functions in Country Offices</p> <p>At the time of the audit no HR oversight missions had been conducted by RBs in 2016 and only two RBs had conducted oversight missions in 2015. The audit also noted that oversight checklists for HR issues were outdated and heavily focused on compliance risks without full consideration of strategic, operational and financial risks. Databases to track compliance issues lacked coherence to allow for the effective detection of systematic policy and control gaps. The audit noted that some RBs were fully engaged in providing support to small COs and could not allocate time and resources for oversight.</p> <p><u>Underlying cause</u>: RB HRO positions were vacant for extended periods. Lack of a coordinated plan to define and strengthen the support and oversight roles and responsibilities of the RB HROs. Misalignment between RB HR function resources, tasks, and responsibilities.</p>	<p>HRM will liaise with RBs to develop a plan to define and strengthen RB support and oversight responsibilities, advocating with Regional Directors on the need for specific deliverables, work plans and resources to ensure oversight services are effectively delivered at the RB level.</p>

Annex A – Summary of categorisation of observations

The following table shows the categorisation ownership and due date for all the audit observations. This data is used for macro analysis of audit findings.

Observation	Risk categories			Underlying cause category	Owner	Due date
	ICF	WFP's Management Results Dimensions	WFP's Risk Management Framework			
1 Control activities – Workforce planning	Strategic	People	Programmatic	Guidelines Guidance	HRM	31 December 2017
2 Control activities – Service Contract modalities	Strategic	People	Programmatic	Guidelines Guidance	HRM OED	31 March 2017 31 December 2017
3 Control environment – Recruitment process governance	Operational Compliance	Processes and Systems	Institutional	Guidance Compliance	HRM	31 July 2017
4 Control environment – Alignment of strategy and work plans	Strategic	Processes and Systems	Institutional	Guidance Compliance	HRM	31 December 2017
5 Control environment – Human Resources functional capacity	Strategic Compliance	People	Institutional	Compliance	HRM	31 March 2017
6 Control activities – Talent acquisition in Country Offices	Strategic Compliance	Processes and Systems	Institutional	Guidance Compliance	HRM	31 December 2017
7 Control activities – Recruitment process in Country Offices	Compliance	People	Institutional	Guidance Compliance	HRM	31 December 2017

Observation	Risk categories			Underlying cause category	Owner	Due date
	ICF	WFP's Management Results Dimensions	WFP's Risk Management Framework			
8 Control activities – Employee on-boarding and separation	Operational	Processes and Systems	Institutional	Guidance	HRM	31 December 2017
9 Control activities – National non-staff salary scales and pay adjustments	Strategic Operational	People	Institutional	Guidelines Guidance	HRM	30 September 2017
10 Control activities – Staff Structure Review exercises	Strategic	People	Programmatic Institutional	Guidelines	HRM	31 December 2017
11 Control activities – Social Security transfer to Service Contracts	Compliance Reporting	Accountability and funding	Institutional	Guidelines Guidance	HRM	31 December 2017
12 Information and communication – Automation, information and data management	Strategic Reporting	Processes and systems	Institutional	Guidelines	HRM	30 June 2018
13 Monitoring activities – Oversight of the Human Resources function in the Country Offices	Strategic	People	Institutional	Guidelines Guidance	HRM	30 June 2017

Annex B – Definition of categorization of observations

1. Rating system

A 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 A.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. 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.

2. Risk categorisation of audit observations

A 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 A.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.

A 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)

A 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.

A 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 A.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

A 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 A.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.

⁴ OED 2015/016 para.7

A 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:

Table A.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 A.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

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

Table A.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

A 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

CDs	Country Directors
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
FAO	Food and Agriculture Organization
HQ	Headquarter
HR	Human Resources
HRM	Human Resources Division
HROs	Human Resource Officers
ICF	Internal Control Framework
IIA	Institute of Internal Auditors
INC	Innovation and Change Management Division
LEG	Legal Office
LSTP	Local Staff Transfer Project
NSP	National Staff Project
OED	Office of the Executive Director
OIGA	Office of Internal Audit
PGM	Communications Division
PRC	Project Review Committee
RBs	Regional Bureaux
SC	Service Contract
SS	Social Security
SSA	Special Service Agreement
SSRs	Staff Structure Reviews
UN	United Nations
WFP	World Food Programme