

Internal Audit of WFP's Fast IT and Telecommunications Emergency and Support Team

Office of the Inspector General
Internal Audit Report AR/17/02



World Food Programme

Contents

	Page
I. Executive Summary	3
II. Context and Scope	5
III. Results of the Audit	7
Annex A – Summary of categorization of observations	17
Annex B – Definition of categorization of observations	19
Annex C – Acronyms	22

Internal Audit of WFP's Fast IT and Telecommunications Emergency and Support Team

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 Fast IT and Telecommunications Emergency and Support Team (FITTEST) that focused on the period 1 January 2015 to 30 September 2016. FITTEST is responsible for "rapid operational response within 48 hours from an emergency and surge capacity for steady-state operations". It operates on a cost recovery basis. FITTEST's specialists team assists the humanitarian community in establishing and maintaining information and communications systems and services where they have been disrupted. In addition, FITTEST works closely with WFP field IT personnel in building capacities to prepare for emergencies and mitigate risks. In the audit period, FITTEST supported 11 Emergencies and up to five concurrent Level Three ones. From January 2015 to June 2016, expenditures amounted to approximately USD 24 million.

2. The audit team conducted the field work from 20 November to 8 December 2016 in Dubai. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit Conclusions

3. FITTEST was established in 2001 as a response unit to provide surge capacity in emergencies and in contexts of operations where expertise was not available. It was designed to perform its function quickly on very short notice and at full cost recovery, funded by the projects it helped implement. In the audit period FITTEST managed IT operations and activities in multiple concurrent emergencies. Its clients recognized the quality of its services and the competency and dedication of its staff. The availability of staff on short notice contributed to FITTEST's ability to respond to emergencies and deploy personnel when needed.

4. With WFP's business model and organization evolving, FITTEST tried to expand its portfolio of activities without a revised mandate or clearly defined strategies. This raised the issue of its relevance, competitiveness and appropriateness of its mandate and funding model, as well as longer term sustainability. The audit noted that FITTEST operated at a loss in a large part of the audit period.






5. In 2012, a review of its strategy identified weaknesses and key areas for improvement, as well as some growth opportunities. This resulted in recommendations and initiatives, some of which management was implementing, particularly on improving timeliness and customer experience. Tools were developed recently to support analysis of delivery timing, to address delays and clients' complaints, and also support emergencies in communication and budget management.

6. The reorganization of FITTEST within the IT Emergency Preparedness and Response Branch allows for further improvement of emergency preparedness and response cycle.

Office of the Inspector General | Office of Internal Audit

7. Overall the audit 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.
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 by internal control component.

Table 1: Summary of risks by Internal Control Component

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

Key Results of the audit

Audit observations

9. The audit report contains one high-risk observation and seven medium-risk observations. The high-risk observation is:

Internal environment – Mandate, and business and funding model: The evolution of WFP organization and business model since the establishment of FITTEST did not translate into a reassessment of its mandate to ensure continued relevance and meet emerging needs. No market analysis was performed to ascertain relevance and competitiveness of the services provided. FITTEST has been operating at a loss since the end of 2015 putting its long-term sustainability and relevance in question. No recent assessment has been done of its pricing structure and relative coverage, or of non-profitable activities. Sales overall target and sales strategies were not articulated by business/product lines, formally assigned or monitored.

Actions agreed

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

Fast IT and Telecommunications Emergency and Support Team

12. The FITTEST unit was established as part of the Information Technology Division (RMT), to manage WFP's emergency response with regards to information and communication technology (ICT). Its objectives included ensuring "that staff working in emergency situations had access to voice and data communications facilities" and performing a field technical support role, providing "short-term technical support activities as well as carrying out planning and assessment missions, and maintaining information and communication technology stocks to ensure appropriate equipment available for operations and missions". It was designed to perform its function quickly on very short notice.

13. FITTEST is a part of WFP IT Emergency Preparedness and Response Branch (RMTF), responsible for the global coordination and management of the IT emergency response and reporting to WFP's Chief Information Officer and Director RMT. FITTEST is based in Dubai and relies on the United Arab Emirates Office (UAE) as a back office support structure.

14. FITTEST offers a range of IT services which are customised to provide effective and efficient solutions for the operations. Services include:

- ✓ *Data Connectivity* – deploying and managing the voice and data solution for the response community. This solution provides internet connectivity through satellite or Internet Service Provider connections.
- ✓ *Security Telecommunications* – offering innovative, comprehensive, integrated telecommunication security solutions, including analogue and digital radio solutions.
- ✓ *Renewable Energy* – designing and installing renewable energy systems.
- ✓ *Consultancy Services* – in areas of ICT and electrical, design and implementation of ICT networks and renewable energy, coordination and project management.
- ✓ *Training Services* – delivering information technology and telecommunication courses for technicians, managers and emergency responders.

15. From January 2015 to June 2016, FITTEST generated total sales of approximately USD 23 million. Expenditures in the same period amounted to approximately USD 24 million. FITTEST's major income generating service is the provision of ICT equipment (approximately 60 percent of cumulated sales in 2015 and the first half of 2016). FITTEST customers are mainly internal (WFP units and country offices).

16. Staff involved in the delivery of FITTEST services include 3 international professionals, 21 international consultants and 6 service contract holders/national staff. Sixteen are part of the Field Operations & Service team (FITTEST core team) with the others in remaining RMTF units and/or provide cross-cutting support to RMTF.

17. FITTEST core team operates on a full cost recovery basis, with the exception of one Programme Support and Administrative funded post. The recent reorganization of RMTF has led to the allocation of the research and business development activities and some FITTEST staff to the Partnership and Business Solutions Unit. Its financial model is 80 percent donors' funding and 20 percent cost recovery, however donor funding has been insufficient to fully cover the costs in 2016.

18. FITTEST uses a special account to manage its revenues and expenditures. The ICT special account was established in 2001 and is used as a revolving account to fund inventory of ICT-related equipment, ICT operational and support services and other ICT-related costs such as insurance. Purchases of ICT equipment and cost related to operational and support services are to be funded

from the special account and subsequently reimbursed through direct charging of those projects for which expenditures have been incurred.

Objective and Scope of the Audit

19. 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 FITTEST. 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.

20. 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.

21. The scope of the audit covered WFP's FITTEST from 1 January 2015 to 30 September 2016. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work took place from 20 November to 8 December 2016 in Dubai.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

Control Environment

- Effective relationship with other humanitarian members and stand by partners.
- Structure of FITTEST within the branch, allowing for continuous improvement of full emergency preparedness and response cycle.

Control Activities

- Competency and dedication of FITTEST staff and quality of service provided, highlighted by interviewed customers.
- Staff availability on short notice contributing to FITTEST ability to respond to emergencies and deploy personnel when needed.
- FITTEST's ability to manage IT operations and activities in six concurrent emergencies.
- Recent efforts from management to improve processes and timeliness recognized by clients.

Information and communication

- FITTEST Information Management and Finance and Project Support staff actively supporting major operations, providing support in communication and budget management respectively.

Monitoring Activities

- Efforts from management to develop tools to support analysis of delivery timing, to address delays and clients' complaints.
-

23. 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/Lines of enquiry	Risk
1. Control environment	
Mandate and business model	High
Governance, roles and responsibilities	Medium
2. Risk assessment	
Enterprise risk management	Low
3. Control activities	
Finance and accounting	Medium
Sales and Operations Management	Medium
Procurement	Medium
Human resources	Medium
Information and Communications Technology (ICT)	Medium
Warehouse management	Medium
4. Information and communication	
Internal and external communication	Medium
5. Monitoring activities	
Monitoring and reporting	Medium

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

25. The audit made one high-risk and seven medium-risk observations. Tables 4 and 5 below present the high and medium-risk observations respectively.

Actions agreed

26. 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 Internal environment – Mandate, and business and funding model</p> <p><u>Mandate</u> FITTEST was established in 2001 and its mandate has not been reassessed since. There has been no market analysis, at organizational level, to determine if the services and activities are still relevant and competitive, including as compared to external IT service providers. There is no requirement to buy from FITTEST and country offices (COs) extensively procure similar services from external vendors, with some COs inviting FITTEST to tender as any third party vendor. Also when responding to emergencies there is the need to reach agreement with COs/clients which may impair the responsiveness of services overall.</p> <p><u>Cost recovery and financial sustainability</u> FITTEST operates on a full cost recovery basis. Decreasing sales resulted in a loss, starting fourth quarter of 2015 onwards. Sales decreased by approximately 60 percent in the first two quarters of 2016 compared to the same period in 2015. Use of resources (chargeability) was lower than targeted. The financial loss was mostly due to limited sales volume, lack of adequate strategy and limited income for some “core” services, as well as the need to accommodate requests for postponement after consultants have been mobilized. This raises the question of long-term sustainability and cost recovery as the appropriate model in view of FITTEST’s mandate.</p> <p>FITTEST tried to expand its portfolio of activities, yet there was no structured process to define targets and strategies. An annual sales target was available, but was not broken down by business/product lines, nor formally assigned and communicated to relevant owners and monitored. There were no defined specific sales strategies to increase business volumes and reach targets set, including allocation of relative responsibilities and progress monitoring. In one case, a new initiative was not in line with FITTEST’s objectives. Management indicated that some identified actions, such as visiting key customers and developing an online product catalogue, were not entirely implemented.</p> <p><u>Sales and pricing structure</u> The pricing structure had also not been recently assessed. Staffing fees are calculated based on type and complexity of services provided (basic, advanced, and coordination and project management). A recent review of staffing fees indicated that one of these categories may not fully cover costs and the latest assessment in 2012 advised a minimum cap on sales orders, which was never implemented.</p>	<p>RMT will:</p> <p>(a) Re-assess:</p> <ol style="list-style-type: none"> i. the mandate of FITTEST and communicate it; ii. FITTEST and RMTF funding and financial model in line with the revised mandate and identification of core activities. Take into account actual costs and forecasted revenues, and ensure it’s consistent with WFP’s new business model/budget architecture and organization. <p>(b) Review the pricing mechanism of FITTEST considering current costs and organizational structure, a more precise definition of down-payment, potential flexible pricing and redefining a pricing review cycle.</p> <p>(c) Articulate overall sales target by business/product lines, in line with FITTEST/RMTF strategy, and define and communicate accountabilities.</p> <p>(d) Define detailed strategies to meet sales targets and re-assess current skills and strategies in place; define mechanisms for monitoring strategy implementation and target achievement and use results for eventual adjustment of strategies.</p> <p>(e) Evaluate the possibility of identifying adequate IT tools/systems to support FITTEST project management and accounting (i.e. for tracking project time and expenses, excess down-payment, calculate project indicators including chargeability, utilization, profitability and possible interface with WINGS II) and reassess available sales input data extraction mechanism to ensure data duplication is avoided.</p> <p>(f) Evaluate the opportunity to reassess the cost structure in RMTF profit and loss report to ensure support costs are allocated to the relative profit centre and consider having a consolidated view at annual level or more.</p>

Observation	Agreed action
<p>The annual sales target calculation did not include the definition of a break-even point, and there was no consideration of actual and forecasted revenue and expenditures to adjust the target in view of long term sustainability.</p> <p>Financial reporting (Profit and loss) was through a cumbersome manual process and not fully accurate. It did not allow full and timely visibility, thus limiting oversight and decision-making on the FITTEST financials.</p> <p><u>Underlying Cause</u> Failure to reassess relevance and sustainability of the mandate and model in view of WFP's internal and external changes, and in consideration of FITTEST's role in the humanitarian context. No update of pricing models, and operational sales targets and strategies.</p>	

Table 5: Medium-risk observations

Observation	Agreed action
<p>2 Operationalizing the mandate - Roles, responsibilities and procedures</p> <p>There was no structured process and clear delegated authorities for internal review and approval of sales/project proposals by adequate level of management based on values and associated risks, before committing with customers. There was also no requirements to develop business cases and feasibility studies for new projects.</p> <p>In addition, the FITTEST team is responsible for identifying IT needs in COs operating in emergencies, without clear indication of who should independently review the defined IT needs, particularly when IT expertise is not available in the country.</p> <p>FITTEST performs activities which are unique in WFP context, without corporate guidance or policies in many processes. FITTEST developed Standard Operating Procedures (SOPs) as required to regulate the activities, however these did not capture some activities and their review remained internal to FITTEST.</p> <p>Relationships with customers were not regulated by agreements or contracts. In most cases, except for a few major external customers, business proposals or invoices were considered as the contractual agreement. There were no defined terms and conditions to regulate service provision/sales.</p> <p>The mandate, role, and structure of Global Humanitarian Services (GHS) and other UAE Office units providing services to FITTEST and other WFP entities were not formally defined. One of the stakeholders questioned them with particular regards to the need of supervisory roles. This resulted in a service level agreement with the UAE Office, still to be signed by all relevant parties, and in FITTEST incurring additional costs. For example the Head of GHS was entirely funded by FITTEST operations while providing service to several units/stakeholders. Some activities indicated in the shared service agreement were not in line with staff terms of reference, processes in place or optimal process duration.</p> <p><u>Underlying Cause</u> Unclarity of roles and of definition of process. Nature and specificity of FITTEST processes requiring the development of non-standard WFP procedures and agreements. Lack of agreement on shared services, budget definition and cost allocation.</p>	<p>(1) RMT will:</p> <ul style="list-style-type: none"> (a) Define mechanisms/thresholds for ensuring RMTF sales/services are approved by adequate level of management depending on value, associated risks and alignment with objectives and in consideration of need of agility and speed of response. (b) Assess the possibility of establishing a process for developing a business case and approval process for any new RMTF initiatives before implementation. (c) Liaise with the UAE office and other stakeholders to review the service level agreement to ensure it accurately reflects roles and responsibilities of all involved, as well as current process. (d) Liaise with the UAE Office, and Headquarter units as appropriate, clarify the role, mandate and structure of GHS and other support units within the Dubai office, and ensure this is reflected in the cost allocation methodology. (e) Liaise with LEG and define and implement appropriate selling contract agreements and/or standard terms and conditions to be used for the finalization of agreements with customers. <p>(2) FITTEST will review their existing SOPs and assess if they are sufficient as well as define a process to consult other units on the SOPs and approve these.</p>

Observation	Agreed action
<p>3 Human resources – Recruitment and utilization of consultants</p> <p>Staff performing FITTEST activities are divided into functional lines, with the core team in the Field Operations and Services unit and additional staff in the Partnership and Business Solutions Unit. The majority of personnel holds a consultancy contract. Long serving consultants (up to 9 years) exercise core functions.</p> <p>FITTEST personnel are deployed to emergency operations for long periods (more than a year) which appears to contradict a rapid response and surge capacity principle. Management informed the audit that issues in implementing exit strategies are due to CO lack of funding and long-term planning in emergency operations.</p> <p>There is no structured and comprehensive process to advertise vacancies or identify and select the right skills from a larger audience. FITTEST planned to maintain a consultant roster to rapidly surge staffing capacity when most needed. At the time of the audit fieldwork this was not yet implemented.</p> <p><u>Underlying Cause</u> Lack of longer-term planning in FITTEST and lack of long-term funding perspective at the country level.</p>	<p>RMT will:</p> <ul style="list-style-type: none"> (a) Review RMTF structure in line with needs and mandate to determine adequate structure and contracts for critical functions. (b) Strengthen RMTF process for hiring consultants to ensure greater transparency and effectiveness. (c) Develop and maintain a roster of qualified personnel for RMTF.
<p>4 Financial accounting – Financial Accounting and Revenue Recognition</p> <p>The audit noted instances of untimely revenue recognition and incorrect accounting. In particular, corporate systems settings allow for recognition after recording the final invoice and clearing the down-payment. Partial deliveries were not always recorded in the system and some final invoices were issued several months after (partial) delivery. In one case the invoice was issued and the revenue recognized at the beginning of the service delivery period. A reconciliation of sales between the sales management and the corporate systems to assess accuracy and completeness of recorded sales was not in place at the time of the audit.</p> <p>Virtual stock from 2013 was accounted for as a fund reservation and recent use had not been accurately recorded. Outstanding down-payments amounted to USD 4 million, including internal orders from 2013 onwards and transactions which could have been closed.</p> <p>The Director of the UAE Office was identified as accountable for the ICT special account, when it was established, and for preparing an annual report to the ED on its operations and activities. This was not accurate at the time of the audit and no such reporting was done.</p>	<p>RMT will:</p> <ul style="list-style-type: none"> (a) Identify suitable features and process for tracking FITTEST partial shipment/delivery in both sales and corporate systems. (b) Ensure FITTEST: <ul style="list-style-type: none"> i. performs a reconciliation and review of sales transactions in the sales management and WINGS II systems, to identify and account for the period’s revenues; ii. identifies possible use or reimbursement of the virtual stock and account for it accurately; and iii. finalizes the review of open advance payment (“receivables”) to reimburse closed items and the closure of old internal orders to operate along the new structure only. (c) re-assess accountability and thresholds for the ICT special account in view of RMTF business evolution and reorganization and update relative regulations.

Observation	Agreed action
<p><u>Underlying Cause</u> System settings and use not in line with process steps and requirements. Actions not taken to accurately account for the virtual stock. Obsolete Special Accounts authority. Incomplete shipments and delays in recording transactions in corporate systems by other actors.</p>	
<p>5 Procurement – Procurement management and delegated authority</p> <p>The UAE Office in Dubai provides procurement services for FITTEST and total goods and services procured during the audit period amounted to USD 16.9 million.</p> <p>A decision memorandum from the Executive Director in 2011 sets out the delegated authority for procurement of the Dubai Office Director with a limit of USD 2 million and of USD 100,000 for sub-delegation to international officers. The memo requires Headquarters Purchase and Contract Committee to evaluate procurement above USD 100,000 before awarding the contract.</p> <p>Authority sub-delegated to international officers was not formalized in writing and the Headquarters Procurement and Contracts Committee was not involved in reviewing due process of procurement transactions above USD 100,000. The local Purchase and Contract Committee did not always meet in person, with results of members’ review and recommendations confirmed via email only. In one instance technical specifications and invited vendors differed from the tender to the awarded contract (mostly due to the need to agree estimated selling price with customers).</p> <p>The use of Long Term Agreements (LTAs) was not maximized and a spending analysis was not performed. The audit noted that 12 percent (USD 2 million) of non LTA procurement was concentrated with five vendors. The procurement unit maintains a list of vendors but there was no evidence that all vendors registered in the roster were selected and invited to tenders.</p> <p>GHS manages sales and is also in charge of managing micro purchase orders, which the audit saw as insufficient segregation of duties.</p> <p>The procurement unit was composed of local long serving staff, with no required rotation of buyers.</p>	<p>The UAE Office, in collaboration with RMT and Headquarter units as appropriate, will:</p> <ul style="list-style-type: none"> (a) Define a process to perform a spending analysis, including forecasted expenditures, and identify further possibilities for long-term agreements. (b) Implement a process to strengthen procurement transparency. For example: require local Purchase and Contract Committees to meet and review the procurement tenders when possible, and reinforce accountability of members in reviewing procurement documentation and acquiring necessary information before approval; ensure tender specifications are defined to provide all vendors the same information; and clearly define vendor selection criteria at inception of process. (c) Consider mechanisms for rotation of buyers. (d) Assess the activities of some functional units and ensure prevention of risks of conflict of interest. (e) Review the procurement process and determine the appropriateness of the delegated/sub-delegated authority given to officers.

Observation	Agreed action
<p><u>Underlying Cause</u> Implementation of non-standard procurement procedures to provide FITTEST/customers a faster procurement service. Procurement delegation of authority not aligned with FITTEST and UAE Office structure and processes.</p>	
<p>6 Warehouse management – Inventory and pricing</p> <p>The analysis of stock re-order point for 200 inventory items needed to be updated at the time of the fieldwork, as the most recent one was dated December 2015. The aging report indicated that 317 items valued USD 338,344 had no movement for more than 60 days. Moreover, defective items sent back by customers were not yet recorded in the sales management systems and waiting for decision on disposal.</p> <p>The ICT special account regulation of 2007 sets a limit to the combined level of funding and inventory at USD 1 million. The value of equipment in stock at the time of the audit was approximately USD 3 million, in addition to the Management Recovery Cost and funding/profit for missions.</p> <p>Historical records in the sales management system could not be verified. In particular, the FITTEST team transferred their inventory records onto a new version of the sales management system in September 2015. Since the opening stock in the new version of the system is not available, it was not possible to assess the accuracy of the quantity of stock transferred. The outstanding stock balance in the system does not deduct the items already picked or ordered by clients until items are shipped. Unexplained differences were noted between the cost of inventory in the sales management system and WINGS II of USD 49,652.</p> <p>The third party providing warehouse management service did not fully comply with the terms and conditions of the contract, such as performing full cycle counts of all equipment. Management informed the audit that this was performed but not formalized. The warehouse contract does not require the submission of fidelity insurance.</p> <p><u>Underlying Cause</u> Changes in the operating model and outsourcing of support activities. Insufficiently structured process to validate and monitor the compliance of the third party with the contract. Outdated review of the reorder levels that are not aligned with stock levels existing rules. Forward contracts are not considered to avoid obsolescence.</p>	<p>RMT will:</p> <ul style="list-style-type: none"> (a) Define a process to ensure that FITTEST third party service provider complies with the contract, review the stock and equipment required by COs. (b) Update and assess consistency of FITTEST stocks and re-order levels. Consider FITTEST entering forward contracts to suppliers.

<p>7 Information technology – IT Systems</p> <p>FITTEST uses three systems to record, manage and monitor their activities. Systems were not interfaced and this resulted in duplicated efforts to manually enter information in them.</p> <p>Significant control measures relative to the sales management system, such as audit trail, requirement for review before entering adjustments, historical records, validation of accuracy of cost of inventory and calculation of management cost recovery rate, were not available or properly operating. This resulted in the audit not being able to verify the accuracy of historical records, quantity of stock migrated and of the calculation of the inventory moving average perpetual cost. Errors were noted in the calculation of the Management Recovery Cost in the final invoice.</p> <p>Information was maintained in the cloud, without an assessment of the measures to secure/protect its confidentiality.</p> <p><u>Underlying Cause</u> The significant number of inventory items and the high cost of customising IT Systems to cater for the services required FITTEST to maintain three different systems.</p>	<p>RMT, in coordination with FITTEST, will:</p> <ul style="list-style-type: none"> (a) Assess the possibility of maintaining one system to record all FITTEST transactions or integrated systems. In the interim, RMT will ensure FITTEST reviews the validity of the information recorded by reconciling the information in the different (three) systems for consistency and accuracy. (b) Assess the confidentiality of information stored in the cloud to ensure adequate protection measures. (c) Introduce consistency checks on the Management Recovery Cost calculation to ensure recovery or reimbursement of excess amount.
<p>8 Monitoring and reporting – Performance measures and oversight</p> <p><u>Performance monitoring</u> Key performance indicators (KPIs) were defined in 2012 but have not been revised or updated since to capture new initiatives and products. They were not measured or monitored with the exception of client satisfaction and chargeability.</p> <p>Customers were surveyed, through GHS and/or the Emergency Telecommunication Cluster, to assess the level of satisfaction of the service provided by FITTEST. The result of the survey for equipment was not comprehensive enough due to the limited number of responses received. The survey criteria and process were also not adequately formalized.</p> <p>The audit also interviewed a sample of clients and noted that services were overall perceived as quality, although costly. Clients specifically lamented the lengthy process for invoicing, reconciliation and reimbursement of excess advance payment. Mechanisms and tools for tracking timeliness of service were not entirely implemented at the time of the audit, with the exception of ETC special operations. There were cases of vendors not delivering within</p>	<p>RMT will:</p> <ul style="list-style-type: none"> (a) Review FITTEST set of KPIs for consistency and relevance. (b) Define and implement a process for periodic calculation of FITTEST KPIs/ performance measures, including an assessment of the adequacy of tools for calculation; for identification of improvement actions to ensure FITTEST delivery in line with clients' expectations and for monitoring FITTEST KPIs/ performance measures. (c) Identify sales reporting format to be used by FITTEST and define timelines for preparation. (d) Formally define process and criteria for FITTEST client satisfaction surveys and identify suitable ways for tracking process steps and increase the level of responses.

contractually defined timelines and FITTEST started applying defined contractual penalties to enforce timely delivery of items ordered during the fieldwork.

Reporting

A process for sales analysis and reporting to management was in place, however its frequency was not clearly defined, and the last available comprehensive management report was dated June 2016.

In addition, a structured process for performance reporting to and supervision from RMT was not in place at the time of the fieldwork. This was compounded by procurement actions going through the Dubai Office with limited/no visibility from RMT.

Underlying Cause

Lack of priority in implementing, calculating and reporting performance measures/KPIs and definition of oversight mechanisms. Evolution of tracking tools based on operational needs. Lack of priority in formalizing criteria and process steps for client satisfaction process.

Annex A – Summary of categorization of observations

The following table shows the categorization 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	Risk categories			Underlying cause category	Owner	Due date
	ICF	WFP's Management Results Dimensions	WFP's Risk Management Framework			
1 Internal environment – Mandate, and business and funding model	Strategic	Accountability and Funding	Institutional	Guidelines	RMT	30 June 2017
2 Operationalizing the mandate - Roles, responsibilities and procedures	Operational	Processes and Systems	Institutional	Guidelines	RMT	30 June 2017
					FITTEST	30 June 2017
3 Human resources – Recruitment and utilization of consultants	Operational	People	Institutional	Guidelines	RMT	30 June 2017
4 Financial accounting – Financial Accounting and Revenue Recognition	Reporting Compliance	Accountability and Funding	Institutional	Compliance	RMT	30 September 2017
5 Procurement – Procurement management and delegated authority	Operational Compliance	Processes and Systems	Institutional Programmatic	Compliance	UAE Office	(a) 30 June 2017 (b), (c), (d), (e) 28 February 2017
6 Warehouse management – Inventory and pricing	Operational Compliance	Processes and Systems	Institutional	Compliance	RMT	30 June 2017

Observation	ICF	Risk categories		Underlying cause category	Owner	Due date
		WFP's Management Results Dimensions	WFP's Risk Management Framework			
7 Information technology – IT Systems	Operational	Processes and Systems Accountability and Funding	Institutional	Guidelines	RMT	31 December 2017
8 Monitoring and reporting – Performance measures and oversight	Operational	Processes and Systems Accountability and Funding	Institutional	Guidance Compliance	RMT	30 June 2017

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 categorization 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: Categorization 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 analyses 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

CO	Country Office
ICT	Information and communications technology
FITTEST	Fast IT and Telecommunications Emergency and Support Team
GHS	Global Humanitarian Services
ITC	Information and Communication Technology
KPI	Key Performance Indicator
LTA	Long Term Agreement
RMT	Information Technology Division
RMTF	IT Emergency Preparedness and Response Branch
UAE	United Arab Emirates
USD	United States Dollar
WINGS II	WFP Information Network and Global System, WFP's ERP system
WFP	World Food Programme