EXTERNAL AUDIT

PRESENTATION & WORK PLAN

INDUCTION SESSION FOR NEW MEMBERS AND OBSERVERS OF THE EXECUTIVE BOARD

25 SEPTEMBER 2019

Richard Bellin, Director of External Audit
EXTERNAL AUDIT

The Three Lines of Defense Model

1st Line of Defense
- Management Controls
- Internal Control Measures

2nd Line of Defense
- Financial Control
- Security
- Risk Management
- Quality
- Inspection
- Compliance

3rd Line of Defense
- Internal Audit

Adapted from Institute of Internal Auditors
EXTERNAL AUDIT

Positioned outside the organization’s structure

- Total independence from WFP’s management
- Capacity to audit overall governance and control structure
- Less extensive scope than WFP’s three lines of defense
The responsibilities of the External Auditor consist of auditing the financial statements of WFP (Article 14.1 of the Financial Regulations) and making observations, if he sees fit, regarding the effectiveness of the financial procedures, the accounting system, and internal financial controls.

Performance audits aim to determine whether, in the areas reviewed, activities are carried out in accordance with the principles of economy, efficiency and effectiveness and whether there is scope for improvement. They also aim to ensure that activities, financial transactions and information are, in all material respects, in conformity with the provisions of WFP’s basic texts.

Each year, the External Auditor undertakes 10 field visits, mainly to country offices and regional bureaux. These audits address the regularity of offices’ management and also contribute to the performance audits according to the themes selected. They may also involve the checking of samples selected in line with risks in areas affecting the financial statements.
## Areas

### Resource mobilization & Public-private partnership
- Consistency of action; challenging funding environment; skills discrepancy; partners capacity; coordination; strategic & operational changes
- NGO partnerships
- Fundraising strategies and communication
- Learning effect and synergies

### Cash-Based Transfers
- Fraud; cyber security; data availability; internal control; strategic & operational changes
- Beneficiaries targeting and monitoring
- Control mechanisms
- Cooperation (local capabilities, partners training)

### Emergency management
- Operational changes, overstretch, security & safety, fraud, decentralized structure, resources adequacy, internal control
- Scale-up and scale-down of resources
- Coordination among WFP’s entities and partners
- WFP Aviation

### Procurement
- Fraud; monitoring & data availability; decentralized structure; internal control; security and safety; reputation
- Food quality, tracking and losses
- Suppliers’ management
- Procurement of goods and services

### Internal control
- Oversight tools; fraud; overstretch; lack of skills for new initiatives; decentralized structure
- Premises
- Fraud Prevention, Detection and Repression
- Senior staff management

### Cyber security
- Internal control; decentralized structure; lack of skills for new initiatives; data availability
- Harmonization of systems & compliance with regulations
- Automatization of transactional processes
- Innovation

### Resource allocation & budget planning
- Funding flexibility; demonstrating impact; reporting; overstretch; monitoring; strategic changes
- Human resources
- Corporate results framework
- Country Portfolio Budgets and cost structure

### Food systems
- Price volatility; resource & data availability; capability assessment; cooperation; skills discrepancy
- Local markets development strategies
- Environmental and economic assessment
- Decentralization

### Possible topics

- Past audits
- Upcoming audits
- Possible upcoming audits
2019 WORK PLAN

- Financial Audit: WFP Financial statements
- Performance audit 1: WFP Premises
- Performance audit 2: WFP Aviation Services
- Eight field audits
WFP PREMISES

CURRENT VALUE OF WFP PREMISES (MUSD)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross</td>
<td>Net</td>
</tr>
<tr>
<td><strong>PERMANENT BUILDINGS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,3</td>
<td>21,4</td>
</tr>
<tr>
<td><strong>TEMPORARY BUILDINGS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>103,1</td>
<td>31,7</td>
</tr>
<tr>
<td><strong>TOTAL VALUE OF BUILDINGS</strong></td>
<td>128,4</td>
<td>53,1</td>
</tr>
<tr>
<td><strong>TOTAL PROPERTY PLANT &amp; EQUIPMENT</strong></td>
<td>398,6</td>
<td>128,4</td>
</tr>
<tr>
<td><strong>PREMISES / PROPERTY PLANT &amp; EQUIPMENT RATIO</strong></td>
<td>32,2 %</td>
<td>41,3 %</td>
</tr>
</tbody>
</table>

AUDIT QUESTIONS

1. Is the inventory of WFP’s real estate assets exhaustive, accurate, sufficiently detailed and up-to-date?

2. Is the Organization’s real estate strategy effective, and in line with its objectives (especially in terms of space control, trade-offs between ownership and rental, etc.)?

3. Is the financial management of the premises efficient and economical? Do host States contribute enough to their funding?

4. Is the Headquarters expansion project mastered from the point of view of its usefulness, its legal structure and the investments to be made, etc.?

5. A Member State resolution of 31 May 2018 supports the proposal to establish common premises for United Nations institutions. How is WFP preparing for this goal?

KEY NUMBERS ON WFP PREMISES

- 423 offices
- 560 warehouses
- 0 audits so far
WFP AVIATION SERVICES

UNHAS WORLDWIDE IN 2018

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2017</th>
<th>2018</th>
<th>Number of aircrafts used in 2018</th>
<th>Number of regular destinations in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>18 667</td>
<td>24 828</td>
<td>3 1</td>
<td>23</td>
</tr>
<tr>
<td>Cameroon</td>
<td>7 467</td>
<td>8 454</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>CAR</td>
<td>20 005</td>
<td>21 984</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>Chad</td>
<td>19 338</td>
<td>16 040</td>
<td>3</td>
<td>22</td>
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<tr>
<td>DRC</td>
<td>23 121</td>
<td>45 992</td>
<td>7 2</td>
<td>48</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>5 840</td>
<td>5 421</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Libya (ended 31/12/18)</td>
<td>-</td>
<td>594</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Mali</td>
<td>10 295</td>
<td>10 177</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Mauritania</td>
<td>2 061</td>
<td>2 038</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Niger</td>
<td>12 673</td>
<td>13 374</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Nigeria</td>
<td>46 086</td>
<td>62 944</td>
<td>1 4</td>
<td>14</td>
</tr>
<tr>
<td>Somalia/Kenya</td>
<td>44 069</td>
<td>41 843</td>
<td>7 4</td>
<td>44</td>
</tr>
<tr>
<td>South Sudan</td>
<td>87 707</td>
<td>98 561</td>
<td>10 4</td>
<td>56</td>
</tr>
<tr>
<td>Sudan</td>
<td>22 725</td>
<td>22 341</td>
<td>3 3</td>
<td>36</td>
</tr>
<tr>
<td>Yemen</td>
<td>9 229</td>
<td>12 079</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

AUDIT QUESTIONS

1. How does the Organization ensure compliance with the rules associated to its air transport activities, the selection of air operators, the training of staff, and its legal responsibility?

2. Does the decision-making process leading to plan, organize and deploy an air operation enable maximal control, relevance and cost-effectiveness?

3. Are WFP flight operations organized in a sufficiently efficient way, both logistically and environmentally?

4. Does WFP Aviation communicate in a sufficiently transparent and clear manner with WFP Member States, so as to ensure that the services and the air operations’ economic model are in line with the Board’s will?
## FIELD VISITS FOR 2018

<table>
<thead>
<tr>
<th>Entity</th>
<th>Location</th>
<th>Choice determinant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Bureau</td>
<td>Dakar</td>
<td>Oversight-Premises</td>
</tr>
<tr>
<td>Regional Bureau</td>
<td>Bangkok</td>
<td>Oversight-Premises</td>
</tr>
<tr>
<td>Country Office</td>
<td>Philippines</td>
<td>Overall management-Premises</td>
</tr>
<tr>
<td>Country Office</td>
<td>Senegal</td>
<td>Overall management-Premises</td>
</tr>
<tr>
<td>Country Office</td>
<td>Kenya</td>
<td>Air operations-Premises</td>
</tr>
<tr>
<td>Country Office</td>
<td>Côte d'Ivoire</td>
<td>Overall management-Premises</td>
</tr>
<tr>
<td>Country Office</td>
<td>DPRK</td>
<td>Overall management-Premises</td>
</tr>
<tr>
<td>Country Office</td>
<td>Mali</td>
<td>Air operations-Premises</td>
</tr>
</tbody>
</table>
THANK YOU FOR YOUR ATTENTION