Fighting Hunger Worldwide

Internal Audit of Food Quality and Safety in the WFP Syria Operations

Office of the Inspector General
Internal Audit Report AR/17/09

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Internal Audit of Food Quality and Safety in the WFP Syria Operations

I. Executive Summary

Introduction and Context

1.   The Office of Internal Audit conducted an audit of food quality and safety in Syria from January to December 2016. The audit was part of its annual plan as well as its Syria + 5 risk and assurance plan, agreed with management in September 2016. The audit team conducted the in-country fieldwork from 23 March to 6 April 2017, visited various locations in the country and reviewed selected corporate processes that impact food quality and safety across WFP.

2.   The protracted conflict in Syria has taken a devastating toll on the lives of the Syrian people. There are 6.3 million internally displaced people, 7 million food insecure people and a further 2 million at risk of food insecurity. In response, WFP has been providing life-saving food assistance and specialized nutrition support to the most vulnerable groups, women and children. The Syria Country Office recently increased activities to support long-term recovery focusing on livelihoods, nutrition and access to primary education while maintaining its emergency operations. In January 2017, WFP delivered food assistance to 3.6 million people in 13 out of the 14 Syrian governorates. Twenty seven percent of the assistance was delivered to high-conflict areas through cross-border partners operating from Turkey and Jordan, crossline and air deliveries.

3.   The total food procured in 2016 was USD 278 million. Ninety eight percent (half from Turkey) was internationally procured and managed by headquarters. Food standards and specifications in the country are stringent and act as a trade barrier to protect local traders. There were limited changes to food regulations in the period of the review.

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

Audit Conclusions

5.   The violent, five-year-long conflict in Syria has resulted in significant security constraints and access restrictions on WFP's operations. The internationally-procured food enters Syria through five corridors. There are strong government border controls in all but the northern corridor served by overland transport from Turkey, and Deir Ezzor, served by airdrops. In such high-conflict areas, a level of programmatic risk, including food quality and safety risks, is accepted. Overall, food quality and safety incidents reported by the country office in 2016 totalled 4.6 percent of the total metric tonnes of food procured. The majority of incidents arose at government border control.

6.   The Office of Internal Audit noted a positive trajectory in the country office (positive practices are detailed in Table 2). Positive practices included the development of standard operating procedures and guidelines; significant capacity building efforts on inspection companies and local manufacturers; and update of food specifications, as per government regulations.

7.   The review of the governance, risk management and internal control system of food quality and safety in the WFP Syria operations identified certain weaknesses that have resulted in audit observations. In particular, skills, capacity and reporting lines were not effective in supporting the complex and diverse Syria operations; the technical assessment of a regional supplier and review of a subsequent quality incident did not comply with corporate requirements; and a structured process for the regular and prompt capture of information on food quality and safety incidents did not exist in the country office. In addition, there was insufficient monitoring of the packaging process and limited visibility on food quality and safety controls in place at, as well as limited training of, cooperating partners and their sub-contracted non-governmental organizations.

8.   Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of partially satisfactory, meaning internal controls, governance and risk management practices are generally established and functioning, but need improvement. One or more issues identified may negatively affect the achievement of the objectives of the audited entities. 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	Medium	🟨
3. Control activities	Medium	🟨
4. Information and communication	Medium	🟨
5. Monitoring activities	Medium	🟨

Key Results of the Audit

9.   The audit report contains seven medium-risk observations.

Actions Agreed

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

Anita Hirsch
Acting Inspector General

II. Context and Scope

Syria Operations

12. As of January 2017, the Syria population was estimated at 17 million. It was classified as a fragile state, with 6.3 million internally displaced people. This displacement was worsened by winter temperatures and resulted in an alarming humanitarian situation. Soaring food and fuel prices, stagnant salaries and the loss and disruption of livelihoods have led to widespread food insecurity across the country, with seven million food insecure people and a further two million at risk of food insecurity. Before the conflict, Syria was on track to reach the 2015 Millennium Development Goals (MDG), but the human development gains have been dramatically reversed. Syria has dropped from 116 in 2011 to 134 in 2014 amongst the 188 nations ranked in the Human Development Index (HDI).

13. In January 2017, WFP delivered food assistance to 3.6 million people in 13 out of the 14 Syrian governorates. Twenty seven percent of this assistance was delivered to high-conflict areas through cross-border, crossline and air deliveries (Deir Ezzor and Al-Hasakeh). Nearly 700,000 people in opposition-held areas of Dar'a, Quneitra, Aleppo, Idleb and Hama governorates were reached with food assistance by cross-border partners operating from Turkey and Jordan. Inter-agency convoys accessed both east and west Moadamiyeh in Rural Damascus, delivering food assistance for 65,000 people. WFP also delivered date bars for 8,000 children, along with nutrition products.

14. With the programme evolution from an emergency operation to a protracted relief operation, the Syria Country Office (CO) is increasing activities to support long-term recovery in the country. In 2017, it is focusing on livelihoods, nutrition and access to primary education, while maintaining its emergency operation. Programme activities are diverse and complex. In terms of its supply chain, the CO relies on its warehousing and packaging facilities as well as on the warehouses and transport by its cooperating partners (CPs), and in some cases, their sub-contracted non-governmental organizations (NGOs). Sub-contractors enable access to hard to reach areas.

15. Prior to the conflict, Syria was the main source of food for other countries in the region. Food standards and specifications in the country are stringent and used by the Government as a trade barrier to protect its local traders. Regulatory changes in the period of review were mostly on documents required for customs clearance, which required significant efforts at CO and corporate levels to clear commodities reaching the ports. With respect to food regulations, the Government reduced the shelf life for ultra-high temperature heat processed milk from nine to six months.

16. The total food procured in 2016 was USD 278 million. Ninety eight percent was internationally procured and managed by headquarters. The Syria CO aims to increase local procurement to ten percent in 2017. Of the internationally-procured food, USD 138 million (49 percent) originated from Turkey, USD 28 million (10 percent) from India, while USD 25 million (9 percent) came from Jordan.

17. The internationally-procured food enters Syria through five corridors. Strong government border controls comprising of custom clearance, visual checks, laboratory tests and quarantine checks operate at: Lattakia port (29 percent of total international procurement), Tartous port (16 percent), Lebanon-Syria cross-border corridor (24 percent) and Jordan-Syria cross-border corridor (18 percent). At the northern corridor served by overland transport from Turkey (19 percent) and served by airdrops in Deir Ezzor, there are no controls by either the Government or WFP. In such conflict areas, there is a level of programmatic risk, which may also extend to food quality and safety risks, accepted downstream the supply chain covering the last mile distribution to beneficiaries.

18. In 2016, 7 out of the 17 food incidents arising in the year and logged by the CO were not specifically food quality and safety incidents but rather quarantine, packaging or country of origin issues. The remaining ten consisted of food quality and safety incidents making up 4.6 percent of total metric tonnes of food procured in 2016. There were two quality incidents and eight safety incidents as a result of infestations and rotten commodities, detected on arrival in the country.

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 food quality and safety in Syria. 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 operations in Syria from January to December 2016. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork, which took place from 23 March to 6 April 2017, included onsite visits to various locations and comprised visits to the Lebanon-Syria corridor, warehouses, local manufacturers, CPs and beneficiaries. Cash-based transfers (CBT) were not in the scope of this audit, given its low materiality.

22. Security constraints did not allow for planned visits to Homs and Tartous. However, OIGA carried out telephone interviews with a sample of beneficiaries from these locations.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

- ✓ Capacity building efforts such as the development of standard operating procedures (SOPs), guidelines and documentation systems for local inspection companies and date bar manufacturers.

- ✓ Field monitor, third-party monitor (TPM) and CP reports capture information on satisfaction of beneficiaries with food quality, which is systematically recorded in the Syria Monitoring Database.

- ✓ Update and consolidation of food specifications with Syrian Arab Organization for Standardization and Metrology and Ministry of Agriculture.

- ✓ Food quality and safety risks are included in the risk register.

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24. 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	
Skills and capacity	Medium
Set-up and reporting lines	Medium
2. Risk assessment	
Specialized nutritious food and third party risk	Medium
3. Control activities	
Incident management – date bar quality	Medium
Cooperating partner understanding of WFP requirements	Medium
Packaging process monitoring	Medium
4. Information and communication	
Incident reporting	Medium
5. Monitoring activities	
Monitoring	Medium

25. Based on the results of the audit, and with consideration of the country context, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**[1]**.**

26. The audit made seven medium-risk observations. Table 4 presents the medium-risk observations.

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[1] See Annex C for definitions of audit terms.

Actions agreed

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

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[2] Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 4: Medium-risk observations

Observations	Agreed Actions
1 **Skills and capacity** – food quality and safety capacity to support complex and diverse activities of the Syria operations. In the Syria context, the expected deliverable for the food quality and safety function is cross-cutting to the CO's diverse programme activities and includes: suppliers' audits and vendor management; inspection services identification, contracting and monitoring; assessing national against WFP's standards; liaising with national regulatory bodies for CO capacity alignment; assessing WFP support to national fortification programmes and the context for engaging in CBT; and incidents management. Furthermore, the stringent national regulations and rejections at the borders by the national authorities require capacity to engage with the government authorities at a technical level. The Syria CO is also increasingly working on building the local capacity of suppliers, manufacturers and inspection companies. In 2016, however, the fixed-term quality associate left the CO and only one temporary technical resource remained for most of the year. The latter resource also supported the Jordan CO, which does not have any technical capacity, as highlighted in a recent audit of food quality and safety covering its operations[3]. As such, capacity and skills to support food quality and safety in the Syria operations were not sufficient in the period of review. This was indicated by delays in reporting incidents and in scaling up on local procurement, as well as the limited involvement of food quality and safety experts in discussions on food basket design and composition. In the latter case, early involvement allows potential food quality and safety issues to be identified at the planning stage. At the time of the audit, work was underway by the CO to develop more specific job descriptions for the 2017 recruitment of fixed-term experts in consultation with the Food Quality and Safety Unit (OSCQ). Underlying causes: Absence of a comprehensive assessment of the food quality and safety workload requirements and capacity needed – in terms of number of individuals and specific skillset - to sustainably support the Syria operations. Lack of guidance at corporate level on how COs should engage in food quality and safety. Importance of involving food quality and safety experts at the food basket design and planning stage not properly understood at field level because of limited corporate guidance.	(1) The Syria CO, in consultation with OSCQ, will make an assessment of its food quality and safety workload and capacity, in terms of staff and skills required to sustainably support CO operations and activities; develop appropriate job descriptions and terms of reference for the CO; and establish a structured process to involve food quality and safety subject matter experts in food basket programming decisions. (2) Based on the support and work for the Syria CO, OSCQ will develop a strategic document to guide COs on how to engage in food quality and safety in such areas as local capacity strengthening, CBT, and – in consultation with nutrition (OSN) - food basket programming.

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[3] Audit of food quality and safety in Lebanon and Jordan (Report No. AR/17/05) issued in February 2017.

Observations	Agreed Actions
2 **Set-up and reporting lines** – effective positioning of and reporting lines for food quality and safety skills.	(1) OSC will:
	i. clarify the effective positioning and reporting lines of food technology skills throughout the organizational structure, including in country offices, whilst maintaining the independence of the function from programme and operations, and allowing for visibility of issues from the field to the OSCQ; and
Food quality and safety skills in the Syria CO organogram were positioned in the procurement team, reporting to the head of the procurement unit. This leads to a potential risk of conflicts of interest in such areas as the identification, assessment and suspension of suppliers, which are under the same unit and supervisor.	
In WFP, the set-up is varied at country office and regional bureau levels, with reports to nutrition, logistics, procurement, compliance, Deputy Country Director or Country Director. In addition, there is no functional or technical reporting line to OSCQ. Ineffective positioning and reporting lines for food technologists can lead to the risk that the independence of the function from programme and operations may be compromised. Some leading players in the private sector have the function independent from operations, as is the case with the sister humanitarian agency UNICEF, which manages less food than WFP.	ii. formalize the process for the management, review and validation of inspection reports.
	(2) The Syria CO will determine, in consultation with OSCQ, the appropriate positioning and reporting lines for food quality and safety skills in its organogram, to support its operations and activities.
In addition, the HQ food procurement unit (OSCF) requests full inspection for the internationally-procured commodities before their dispatch to Syria. It also requests laboratory tests in the case of commodity rejections by national authorities at ports and cross-borders where government controls operate. OSCF receives and reviews the inspection results, which include laboratory test certificates, and informally share these with other supply chain units including OSCQ. With the significant volume of internationally-procured commodities for the Syria operations, there is a need to formalize the process.	
Underlying causes: Lack of clarity at corporate level on the positioning and reporting lines within the organizational set-up of food technology skills. Absence of a formal protocol for the management analysis and review of laboratory inspections.	

Observations	Agreed Actions
3 **Incident management –** supplier audits and review of incidents. In 2016, a quality incident occurred on regionally-procured date bars for Syria. The date bars were sourced from a supplier in Egypt, who had already been suspended following a food quality and safety incident. A technical audit of the factory by OSCQ and the RBC in February 2015 confirmed its poor quality management systems. Suspension was effective pending demonstrated improvements, verified by a follow-up technical audit. The recommendations for improvement from this audit were shared with the supplier. Feedback from the supplier in July 2015 stated that the identified improvement would be implemented by August 2015. The RBC Procurement commissioned its national food technologist in September 2015 to re-assess the supplier. Despite four corrective actions not being fully addressed, the supplier was re-instated by the RBC with a recommendation for close monitoring of production for WFP. However, a 2016 incident with the date bars in Syria demonstrates that the supplier was not ready for reinstatement into WFP's roster. The RBC suspended the supplier again in August 2016. A technical review on the root cause for the date bar incident has also been completed by the same national food technologist and does not adequately capture the supplier issues upstream that have caused the incident to arise. Underlying causes: Non-compliance with the requirement of joint technical audits of suppliers and reviews of incidents. Ineffective monitoring of the production line by a WFP staff to assess whether corrective action plans had been completed. As a result, gaps in quality management systems continued.	RBC, in collaboration with OSCQ, will: i. enforce joint audit of suppliers in operations prior to inclusion in WFP rosters; and ii. ensure that suppliers with previous incidents are only reinstated when improvement in their quality management system and sufficient evidence of risk reduction are provided. This will be done through implementation of the corrective and preventive action plan approved by the follow-up food quality and safety audit team.

Observations	Agreed Actions
4 **Warehousing and transportation -** specialized nutritious food (SNF) and third-party risk. Lipid-based nutrient supplements (LNS) are used in the Syria programme to treat malnutrition in children and date bars in the school feeding programme. On arrival in Syria, these commodities transit from WFP to CP warehouses to sub-contracted NGO warehouses or stores. While the Syria CO has installed thermometers and temperature control equipment in WFP warehouses, the equipment is not in use and temperatures not yet recorded. Furthermore, the CO carries out a compliance audit of CP warehouses but has little visibility on the controls and conditions in place at sub-contractors, even when access is possible. OIGA visits to warehouses confirmed that CP warehouses may have fans but cooling or ventilation are not present in sub-contracted storage locations. In addition, the Syria CO does not monitor storage duration of SNFs in third-party warehouses, and hence cannot ascertain how quickly the commodities move downstream the supply chain, prior to reaching beneficiaries. Long storage and transportation at high temperatures lead to risks that the nutritional value of the SNF may deteriorate, preventing the intended programme objectives and resulting in financial loss. Underlying causes: Absence of a country level analysis of how SNF and heat sensitive items are managed to mitigate the risk of deterioration in quality. Conditions for cold chain in conflict areas are not possible because of electricity cuts and the significant costs of generators. Current Syria CO field level agreements (FLAs) include a new sub-contracting clause with a general requirement for CP oversight of its sub-contracted NGOs. But there are no minimum monitoring requirements for CP checks on their sub-contracted NGO warehouses and transportation in the absence of corporate guidelines. There is also an absence of independent checks on the sub-contracted NGOs warehouse and transport conditions.	The Syria CO will: i. with the guidance and support of RBC and HQ food quality experts, perform and document an analysis as well as recommendations (including specific guidance and requirements for CPs and sub-contracted NGOs) - on how LNS and heat sensitive items are managed, to minimize the risk of deterioration in quality prior to reaching beneficiaries; ii. include minimum requirements for CP oversight checks on the warehouse and transport conditions, as well as stock movements at their sub-contracted NGOs to ensure food quality and safety; and iii. establish independent control checks on third-party warehouses and transportation, either by WFP food aid monitors, staff or through third-party monitor (TPM).
5 **Reporting** – incident reporting. In Q4 of 2016, the quality associate compiled for the first time a food incident log by collecting fragmented information from various quality focal points in the different sub-offices, locations and units. There was therefore no structured process in place to enable regular and prompt capture of food quality and safety incident information. The log covered incidents mostly arising from rejections at the port and cross-borders where government controls operate but did not have all incidents arising in warehouses or reported from CPs. Inability to capture complete and prompt information on food quality and safety incidents prevents timely lessons learned and revision of processes to remedy the gaps identified. Underlying causes: Staff turnover in 2016. Absence of a process for prompt incident information capture and reporting, and unclear allocation of responsibilities.	The Syria CO will: i. establish a structured process for the regular and prompt capture of information on food quality and safety incidents and assign dedicated capacity to perform this task; and ii. ensure that food quality and safety incidents feed into the risk register as appropriate from the assessment of the impact and likelihood of the risk.

Observations	Agreed Actions
6 **CP understanding of WFP food quality and safety requirements** – training and capacity building. CPs interviewed for the audit confirmed they were not aware of the WFP food quality and safety requirements. One CP reported a quality issue with white beans following visual checks by its staff and laboratory tests by a local inspection company. However, the checks performed by the CP did not meet WFP required standards. The Syria CO verified the food quality and safety controls upstream and managed to solve the issue with the CP and proceed with distribution. Furthermore, two CPs reported they perform visual checks on receipt of WFP commodities but their procedures for the checks are not aligned to WFP requirements. Finally, one CP acknowledged that it did not formally report back to WFP feedback from beneficiaries on food quality or safety issues. Underlying cause: Lack of training of CPs on WFP food quality and safety requirements, key controls and incident reporting.	The Syria CO will: i. undertake capacity building of its CPs in the area of food quality and safety especially in such areas as visual checks, laboratory tests and appropriate storage conditions, especially for SNFs; and ii. raise awareness of CPs on the importance of reporting food quality and safety incidents back to WFP through its designated focal point.
7 **Re-packaging -** process monitoring. The Syria CO staff were not constantly present at the two Damascus WFP warehouses to monitor the re-packaging process and warehouse conditions. In addition, during a visit to one of the warehouses in Damascus, OIGA noted that the inspection company was not following the key controls in the CO SOP when checking the re-packaging process, such as appropriate storage of materials, cleanliness and sanitization, inspection of raw materials being used for the re-packaging and protocol for sample testing and conditions of equipment. The Syria CO confirmed that as of May 2017, WFP staff presence will be maintained at the warehouses as access constraints are lifted. Following the audit mission, the Syria CO has proactively identified issues in this area and is working on addressing them. Underlying causes: Security and access constraints preventing WFP staff presence at the warehouse locations and resulting in insufficient monitoring of the re-packaging process. Inadequately specified responsibilities of third-party contractors or non-compliance with the contract when security conditions do not allow for WFP presence at the warehouses.	The Syria CO will, within the prevailing security environment, ensure that WFP warehouses have WFP staff in place or that responsibilities of third-party contractors for monitoring the re-packaging process SOP are properly implemented.

Annex A – Summary of Categorization of Observations

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

Observation	ICF	Risk categories		Underlying cause category	Owner	Due date
		WFP's Management Results Dimensions	WFP's Risk Management Framework			
1 **Skills and capacity** – food quality and safety capacity to support complex and diverse activities of the Syria operations	Strategic	People	Institutional	Resources	Syria CO OSCQ	31 December 2017 31 December 2017
2 **Set-up and reporting lines** – effective positioning of and reporting lines for food quality and safety skills	Strategic	Accountability and Funding	Institutional	Guidance	Syria CO OSC	31 December 2017 30 September 2017
3 **Incident management** – supplier audit and review of incident	Operational	Accountability and Funding	Institutional	Compliance	RBC	30 July 2017
4 **Warehousing and transportation –** SNF and third-party risk	Operational	Processes and Systems	Programmatic	Best practice	Syria CO	31 March 2018
5 **Reporting –** incident reporting	Reporting	Processes and Systems	Institutional	Best practice	Syria CO	31 December 2017

Observation		ICF	Risk categories		Underlying cause category	Owner	Due date
			WFP's Management Results Dimensions	WFP's Risk Management Framework			
6	**CP understanding of WFP food quality and safety requirements** – training and capacity building	Operational	Partnerships	Programmatic	Best practice	Syria CO	31 December 2017
7	**Repackaging –** process monitoring	Compliance	Processes and Systems	Institutional	Guidance	Syria CO	31 December 2017

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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. 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 categorization of audit observations

2.   Audit observations are categorized 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.[4]

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 might 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.

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[4] 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."[5] 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 though 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 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:

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 and accountability – Appropriately planned workforce – Effective talent acquisition and management.

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[5] OED 2015/2016 para.7

2	Partnerships:	Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated.
3	Processes and 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 and 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 though 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 (for example, funds, skills, staff) 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

CBT	Cash-based Transfers
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Cooperating Partner
FLA	Field Level Agreement
FT	Food Technologist
LNS	Lipid-based Nutrient Supplements
LTA	Long Term Agreement
NGO	Non-Governmental Organisation
OSC	Supply Chain Division
OSCF	Headquarters Food Procurement Unit
OSCQ	Food Quality and Safety Unit
OSN	Headquarters Nutrition Unit
RB	Regional Bureau
RBC	Regional Bureau in Cairo
SNF	Specialized Nutritious Food
SOPs	Standard Operating Procedures
UHT	Ultra-high Temperature Processing
UNICEF	United Nations Children Fund
USD	United States Dollar
WFP	World Food Programme