

Internal Audit of Management Performance Indicators and Supporting Information Systems

Office of the Inspector General
Internal Audit Report AR/17/12



World Food Programme

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Internal Audit of Management Performance Indicators and Supporting Information Systems in WFP

I. Executive Summary

Introduction and context

1. The Strategic Plan 2017-2021 commits WFP to "*transparency and accountability in the management of its resources ... [enabling] evidence-based interventions to deliver results in a cost-efficient manner.*" To deliver on this commitment the Corporate Results Framework is designed to provide "*management indicators [that] reflect WFP's concept of value for money and reflect effectiveness, efficiency and economy.*"

2. As part of its annual work plan, the Office of Internal Audit conducted an audit of management performance indicators and supporting information systems in WFP. The audit covered the period from 1 January to 31 December 2016 and looked at events prior and subsequent to this period, as required. The audit team conducted the fieldwork from 20 March to 28 April 2017. This included work at WFP headquarters in Rome; surveys and interviews with various levels of WFP management; a review of management performance processes and supporting data sources, including key reports and dashboards; and a review of data governance policies. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit conclusions and key results

3. WFP has progressively enhanced transparency and accountability in the management of its resources through the development and operationalization of several performance management policy iterations. Following this trend, the Executive Board approved the Corporate Results Framework in November 2016, which aims to improve planning and management processes and to provide a clearer presentation of results and value for money. However, key stakeholders have identified gaps in the framework which may impair its ability to meet programme requirements. Moreover due to limitations imposed by WFP's financial and operational architecture, the organization has not yet been able to fully operationalize the value for money framework.

4. The audit noted a number of positive practices including gradual improvement of management performance frameworks; strengthening of organizational accountability through the Corporate Results Framework and Financial Framework Review initiatives; and their alignment with the Strategic Plan 2017-2021. Other positive practices include the formulation of an Information Technology Strategy; increasing cooperation and coordination to support data governance; and deployment of the IN/FO dashboard to consolidate various data sources into a single portal.






5. The audit noted deficiencies in the design and formulation of key performance indicators under the Management Results Framework (2014-16) which resulted in the development of alternative "off-compendium" indicators, as well as management performance indicator gaps. In addition, lack of baselines, targets, and analyses of results sometimes impaired the usefulness of management performance results. The audit further observed noticeable variations in the presentation of management performance indicators in successive Annual Performance Reports, which may have impacted the ability of stakeholders to assess the effective, efficient and economic support to

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operations to achieve the strategic results. WFP’s ability to provide accurate and reliable evidence-based performance reports largely depends on the effective implementation of sound master data governance practices, which the organization has yet to fully operationalize.

6. 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 for each of the key process areas defined for the audit:

Table 1: Summary of risks by process area

Key audit questions		Risk	
1.	Define information requirements	High	
2.	Gather and process data	Medium	
3.	Analyse and present data	Medium	
4.	Interpret and use data	Medium	
5.	Identify data and information gaps	High	

7. The audit report contains two high-risk observations and five medium-risk observations. The high-risk observations are:

Design and formulation of key performance indicators – Issues were noted regarding the design and formulation of the indicators under the Management Results Framework (2014-16) including: limited consultation and communication with stakeholders; perceived weaknesses in the ability of indicators to assist with functional management of operations, provide early indications of risks, and accurately reflect performance; gaps in the completeness and adequacy of indicators; and a lack of baselines, targets, thresholds and bases for comparison of management performance results. While the Performance Management and Monitoring Division has developed a methodology to redesign management performance indicators under the Corporate Results Framework, surveys and interviews with stakeholders carried out during the audit indicated a number of shortcomings in this process.

Data strategy and link to performance management – The absence of a master data management strategy and open data strategy may be impairing the organization’s ability to provide a robust evidence base of management performance results. The audit noted issues of coordination, data architecture and information management which are directly and indirectly affecting the integrity and quality of master data. There is also a low correlation between corporately available information sources and management performance indicators.

Actions agreed

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

Management Performance Frameworks in WFP

9. WFP is committed to attaining the highest standards of accountability, to realizing the most effective and efficient use of resources, and to conducting monitoring to generate evidence for decision-making and to support effective project-level and corporate reporting. To realize these commitments WFP has designed and implemented a series of policies, processes and tools that have evolved over time, commencing with the implementation of the Performance Management Framework in 2010, then leading to the introduction of the Performance Management Policy in 2014, and the Corporate Results Framework in 2016.

10. *Management Performance (2008-2013)*: In 2010 WFP formally adopted the Performance Management Framework, building on the Strategic Results Framework (SRF) and Management Results Framework (MRF) which had effectively been in place through various tools and systems since 2008. The SRF was designed to capture what WFP does and the effectiveness of its outcomes, while the MRF was designed to measure how efficiently WFP delivers its programmes.

11. *Management Performance (2014-2016)*: A new Performance Management Policy was adopted in 2014 to coincide with WFP's Strategic Plan 2014-2017. This policy introduced new elements into the performance management system including country strategic plans as well as a set of new indicators. The policy also adjusted existing performance measurement tools, including the MRF, to promote a performance culture which emphasized individual accountability for results and identified WFP's capability needs and gaps.

12. *Corporate Results Framework (2017-2021)*: In November 2016, WFP's Executive Board approved the Corporate Results Framework (CRF) for the period 2017-2021 to address the disconnect between the SRF and MRF and to improve the planning and management process. In addition, the CRF leverages an improved line of sight between results and resources provided by the new Strategic Plan 2017-2021 and WFP's new financial framework, by better integrating results and management performance.

13. The CRF aims at streamlining and simplifying the presentation of management performance results and drawing budget and expenditure information to report on the cost efficiency and economy of WFP operations. It also aims, through the results chain, to evaluate other aspects of programme effectiveness and efficiency including timeliness, satisfaction, quality, coverage and compliance.

14. Since its approval in November 2016, the CRF is in a phase of development that includes the review and formulation of a new set of key performance indicators (KPIs) within three categories¹. This learns from the technical integration of financial resources and results brought about by the Financial Framework Review (FFR). The Performance Management and Monitoring Division (RMP) continues to engage management in defining and establishing management performance indicators.

¹ WFP's management performance is reflected by three categories of indicators, with categories I and II serving strategic planning and reporting purposes, and category III addressing daily management of operations. Indicators of categories I and II will be organized around five management dimensions, which were already part of the MRF 2014-2017.

Data Governance in WFP

15. To enable the management performance measurement process, WFP generates vast amounts of operational and financial data covering the entire results chain, from strategic goals down to specific programme activities and resources. The information systems producing this data are enabled by a complex architecture that draws data from multiple “governed” systems (such as WINGS, SCOPE, LESS, and COMET) as well as from “shadow” IT systems. This complex data architecture results in varying degrees of systems integration, data interoperability and data quality. These directly and indirectly impact the integrity and reliability of management performance reporting.

16. To facilitate the consistency and accuracy of data in a complex environment, in May 2014 the Executive Director approved the Master Data Governance Framework. The framework outlines the objectives, principles and structure for enterprise master data governance in WFP across 34 master data domains. It also clarifies the role of the Management Information System Steering Committee and the Chief Information Officer in the governance and management of master data, and identifies the roles and responsibilities of data owners and data stewards.

Objective and Scope of the Audit

17. The objective of the audit was to evaluate and test the adequacy and effectiveness of the internal controls, governance and risk management processes associated with WFP’s management performance indicators and supporting information systems. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes.

18. The audit was carried out in conformance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing. It was completed according to an approved engagement plan and took into consideration the risk assessment exercise carried out prior to the audit.

19. The scope of the audit covered management performance indicators and supporting information systems from 1 January to 31 December 2016. Where necessary, policies, guidelines, processes, key reports and dashboards, information systems and events pertaining to other periods were reviewed. The audit fieldwork included work at WFP headquarters in Rome; a review of management performance processes and supporting data sources; a review of master data governance policies; a review of sample Annual Performance Plans (APPs); surveys and interviews with 9 selected country offices (COs), namely Cameroon, China, Colombia, Ecuador, El Salvador, Indonesia, Lao People’s Democratic Republic, Sudan and Zimbabwe; and surveys and interviews with Regional Bureaux including Bangkok, Cairo, Dakar, Johannesburg and Panama as well as 10 headquarter divisions² and Executive Managers.

² WFP Centre of Excellence Against Hunger in Brazil (BRA), Gender Office (Gen), Human Resources Division (HRM), Emergency Preparedness and Support Response Division (OSE), Policy and Programme Division (OSZ), Government Partnerships Division (PGG), Budget and Planning Division (RMB), Performance Management and Monitoring Division (RMP), Security Division (RMQ), and Information Technology Division (RMT).

III. Results of the Audit

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

Table 2: Positive practices and initiatives

Control Environment

- Adoption of best practices and improvements to management performance through each iteration of the performance management framework since its first formulation in 2010; strengthening of organizational accountability and overall performance management system through the adoption of the CRF and the FFR.
 - Alignment and joint development of the CRF with the Strategic Plan 2017-2021, FFR and Country Strategic Plan components of the Integrated Road Map (IRM), improving the link between resources and results.
 - Formulation of the Information Technology Strategy 2016-2021, outlining data governance objectives.
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Control Activities

- Integration of the SRF and MRF to improve the planning and management process, and to clarify results achieved and value for money (VfM) in the utilization of donor resources.
 - RMP has progressively improved performance management indicators in APPs and Annual Performance Reports (APRs), and has made efforts to integrate VfM in planning and reporting tools.
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Information and Communication

- Adoption of software solutions to manage indicator data and track version changes.
- Formation of the Data Working Group to provide a forum for discussing data issues and to connect data users with data owners and RMT architecture.
- Development by the Information Technology Division of the IN/FO dashboard and consolidation of various sources of key information into a single portal.

21. Having evaluated and tested the controls in place, the Office of Internal Audit has concluded on the residual risk related to each of the key process areas defined for the audit (see Table 1 above) and also by internal control component; these results are presented in **Annex B**. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of *partially satisfactory*³.

22. The audit made two high-risk and five medium-risk observations. Tables 3 and 4 below present the high and medium-risk observations respectively.

Actions agreed

23. Management has agreed to take measures to address the reported observations.⁴

³ See Annex C for definitions of audit terms.

⁴ Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 3: High-risk observations

Observation	Agreed action
<p>1 Design and formulation of key performance indicators</p> <p>The following issues were noted concerning the design and formulation of indicators under the 2014–16 MRF, many of which have been adopted in the interim for 2017 whilst new ones are being developed:</p> <p><i>Design and formulation of management performance indicators</i> - While RMP has developed a methodology to redesign management performance indicators under the CRF, surveys and interviews with stakeholders carried out during the audit indicated a number of shortcomings in this process. These included: limited to no involvement by responsible managers in the development, rationale for and use of the KPIs; lack of clear channels to provide feedback or obtain information on KPIs from RMP; and perceived weaknesses by COs and RBs in the ability of KPIs to aid the functional management of operations, provide early indications of risks, and accurately reflect the performance of their offices.</p> <p><i>Completeness and adequacy of management performance indicators</i> - For the indicators used in the 2016 APP process under the 2014–16 MRF the audit noted the following: 90 percent of indicators in the 2016 APPs of HQ units, 34 percent in the RBs and 26 percent in the COs were outside the approved MRF (2014–16) compendium of KPIs; there were gaps in the coverage of MRF KPIs for certain functional areas and management dimensions; stakeholders perceived that there were too many KPIs; and some KPIs were too abstract or could not be easily calculated.</p> <p><i>Baselines, targets, thresholds and basis for comparison of results</i> - Responses to audit surveys and interviews indicated that: some MRF (2014-16) KPIs were not systematically tracked or analysed; some HQ Divisions did not make use of KPIs for analysis on performance management for functional areas under their responsibility, as they consider that they do not have a role in overseeing field operations; and some entities within WFP are not obliged to submit their completed APP to RMP, constraining WFP's ability to comprehensively analyse management performance results. Moreover, the audit noted that MRF KPI baselines, targets, thresholds (including definition of acceptable variance in performance) and aggregation and analysis of results were needed to provide greater clarity and contextualization of management performance results.</p> <p><u>Underlying cause:</u> The development of 2014–16 MRF indicators was not fully consultative, leading to design deficiencies in the MRF. Functional areas and management dimensions are under-represented in the compendium of indicators, and there is a weak link between these and responsibilities of functional area services.</p>	<p>RMP will:</p> <ul style="list-style-type: none"> (a) Continue and bring to completion the development of CRF management performance indicators in close collaboration with responsible business owners and relevant stakeholders, noting that this process has already started for some functions; (b) Continue to complement each CRF indicator with a standardized KPI methodological guide, to enhance the technical quality of indicators by including baselines and targets and referencing sources of data; and (c) Establish a feedback mechanism for the maintenance, review and development of new CRF KPIs.

Observation	Agreed action
<p>2 Data strategy and link to performance management</p> <p>The Master Data Governance Framework (2014) and Corporate Information Technology Strategy 2016-2020 call for the development of a master data management strategy and open data strategy. These strategies are intended to provide direction to the organization in ensuring sound master data management, and reliability, accuracy, integrity and quality of data.</p> <p><i>Coordination of data governance efforts</i> - Several working groups and fora have been set up to assist the Data Governance Board (DGB) in the operationalization of the data governance framework. However, the actions of these entities are not guided by an overarching strategy and clearly defined set of objectives, goals and roadmap.</p> <p><i>Data architecture and information management</i> - While systems have been developed to support various business processes, in some instances these have not been developed with the data and information requirements of the users in mind, resulting in the following issues:</p> <ul style="list-style-type: none"> • Data dispersion resulting in inconsistent presentation of similar data points across reports, systems and dashboards. • Lack of operational and financial data integration to enable effective analysis and reporting. • Need for a corporate single "source of truth" to harmonize sources of data. • Lack of definitions and a glossary of data to standardize key organizational terms. • Lack of awareness and training regarding business intelligence tools and information systems including functionalities, low interface quality, and lack of report customization features. • Insufficient interaction and coordination between data owners and users to understand needs, leading to a "data push" approach. <p><i>Link between dashboards, data and management performance indicators</i> - The audit noted a low correlation between the data available in corporate dashboards and business intelligence systems, and the management performance indicators in the CRF compendium. In particular:</p> <ul style="list-style-type: none"> • There is significant reliance on "shadow" data sources that do not fall within the data governance framework and which may be subject to uncertainty regarding quality and integrity. • There is a lack of correspondence between the information currently available in corporate dashboards and reports and management performance indicators. <p><u>Underlying cause:</u> Lack of an overall data strategy and effective and structured processes to collect, understand and deliver on organizational data needs. Need for better coordination between data owners and users supported by an overarching strategy and plan. Absence of coordination between the CRF and data governance stakeholders to align CRF data needs and information systems.</p>	<p>(1) RMT will develop a master data strategy and an open data strategy as envisioned in the IT Corporate Strategy, working with stakeholders to ensure: (i) data integration, data quality, user awareness and training are incorporated within the elements of the strategy; and (ii) sources of data, dashboards, reports and information systems are rationalized as far as possible.</p> <p>(2) RMP will work with RMT, and in coordination with data owners, in the identification of information gaps required to support performance management tools and processes, and will develop a roadmap to consolidate and automate, to the extent possible, performance indicator data sources.</p>

Table 4: Medium-risk observations

Observation	Agreed action
<p>3 Roles and responsibilities in relation to the Corporate Results Framework</p> <p>The Executive Director appointed an IRM Policy and Planning Unit with responsibility for management of the CRF in relation to programme performance. The audit noted a lack of clarity on the roles of RMP, the IRM Policy and Planning Unit and the Chair of the IRM Steering Committee in bringing CRF policy changes resulting from pilot programmes carried out in 2017 to the IRM Steering Committee for review and approval before submission to the Executive Board. While WFP's Performance Management Policy (2014) describes the framework for performance management, it does not specify roles and responsibilities for its implementation in terms of normative guidance and service delivery. Together, these conditions have impaired buy-in to the CRF by stakeholders and may be delaying the selection of indicators and impacting monitoring activities.</p> <p>The Executive Board Secretariat is currently evaluating how to measure and monitor WFP's contribution to Sustainable Development Goal (SDG) targets other than SDG 2 and SDG 17. Internal discussions are ongoing to determine the most appropriate approach to reporting on contributions in the CRF.</p> <p><u>Underlying cause:</u> The 2014 Performance Management guidance did not address performance management policy questions regarding ownership of the performance management process, and respective roles and responsibilities of HQ offices, regional bureaux (RBs) and COs; policies over the same have not yet been developed to reflect the changes brought about by the Executive Board's adoption of the CRF.</p>	<p>The Deputy Executive Director (DED), in coordination with RMP, OSZ and other relevant units, will clarify the roles and responsibilities of RMP and the IRM Steering Committee in the formulation and development of the corporate results framework and performance management policies.</p>
<p>4 Inconsistent utilization of MRF indicators in the Annual Performance Report</p> <p>The audit noted inconsistencies in the 2014–16 MRF KPIs tracked and presented by WFP in its annual performance reporting for the period from 2012 to 2016. The introduction of the Performance Management Policy resulted in a change of over 95 percent from 2013 to 2014 as new indicators were introduced and aligned to the Strategic Plan 2014-2017. For the Strategic Plan 2014-2017 period, the audit noted a significant rate of change from 2014 to 2015 and from 2015 to 2016. The changes resulted from modifications in the basis and methodologies for calculation, the introduction and deletion of KPIs, and the achievement of interim objectives and lack of available data. This limits the possibility of tracking performance and results over the years.</p> <p>The rate of change of key indicators is expected to decrease for the year 2017 APR with the introduction of standard CRF Category I and II indicators, serving strategic planning and reporting purposes, and Category III indicators for the operational management.</p>	<p>RMP will:</p> <ul style="list-style-type: none"> (a) Adequately disclose changes to CRF indicators as part of the APR process; and (b) As part of the revised Performance Management Policy, and in support of the new Strategic Plan as well as forthcoming Management Plan cycles, formalize a mechanism for senior management to agree on CRF management performance indicators for strategic planning and reporting.

Observation	Agreed action
<p><u>Underlying cause:</u> Changes in the utilization and definition of MRF indicators in the 2012 – 2015 period for annual performance reporting were not explained in the reports. Deficiencies in the design of indicators and methodology for calculation from the onset of the 2014-16 MRF, and a lack of defined core indicators to consistently track over time.</p> <hr/> <p>5 Value for money framework</p> <p>To deliver on the Strategic Plan 2017-2021 commitment to demonstrate VfM, the CRF was to design and provide "<i>management indicators [that] reflect WFP's concept of value for money and reflect effectiveness, efficiency and economy</i>". The 2014–16 MRF attempted to incorporate some elements of VfM within management performance indicators, and some guidelines were produced to support the VfM framework; however the audit noted gaps in coverage across functional areas and dimensions as follows:</p> <ul style="list-style-type: none"> • Few of the indicators in the draft compendium under development by RMP attempt to capture the economy or efficiency elements of VfM; • Attributes of economy are not present for 6 out of 10 process areas and for 2 out of 5 management dimensions; • Efficiency indicators are not present for 3 out of 10 process areas and for the people management dimension; and • Indicators measuring timeliness, satisfaction and quality require improvement. <p>WFP's financial architecture did not enable the MRF (2014-2016) to report on attributes of economy. The FFR is intended to enable WFP to capture attributes of economy within the CRF.</p> <p><u>Underlying cause:</u> The VfM framework has not yet been fully operationalized in the context of MRF and SRF in WFP despite efforts to embed VfM in planning tools, KPIs, the APR and Standard Performance Reports (SPRs). In this context WFP lacked the architecture to clearly link resources with results and measure VfM.</p>	<p>RMP will:</p> <p>(a) Articulate (within the policy recommended under agreed action 4b above) the criteria for demonstrating VfM within the new CRF's management performance indicators and for consistent application of the concept by all organizational entities; and</p> <p>(b) Review and revise the corporate guidance, tools and materials on VfM for planning, monitoring and reporting, and develop a training plan to raise organizational awareness with regard to VfM concepts.</p>
<p>6 Effectiveness of the management performance process</p> <p>The audit noted that the effectiveness of management performance measurement is being impacted by issues including:</p> <ul style="list-style-type: none"> • The implementation of the CRF has not been properly articulated or supported by the development of interim guidelines; • Training, capacity building, awareness and guidance for the implementation of the MRF in 2016 was insufficient; 	<p>RMP will:</p> <p>(a) With regard to management performance elements of the CRF complete a review of performance management processes and tools, including the APP, to align with the IRM and inform the Management Plan, implementing the revised processes gradually starting in 2017; and develop standard operating procedures (SOPs) for key</p>

Observation	Agreed action
<ul style="list-style-type: none"> • Review, feedback, follow-up and remediation processes supporting the APPs exercise were ineffective and required significant strengthening. The audit noted that on average only 50 percent of 2014–16 MRF management performance indicators in the APPs achieved their targets; • Adoption of compulsory and standard MRF “compendium” management performance indicators by organizational entities varied greatly, from as few as 13 indicators to as many as 107, resulting in unclear expectations on management and prioritization of their efforts; and • There was limited input from the RBs to COs on the results of the APP, weakening the accountability with performance management results. <p><u>Underlying cause:</u> While performance management processes and tools have been established by WFP, efforts are needed to increase the level of compliance with expected processes and utilization of tools at all levels of the organization. RMP has not described the planning and review processes or the tools for accountability associated with the MRF and CRF.</p>	<p>performance management processes, including provisions for action on results and underperformance, in line with the revised roles and responsibilities under the Policy on Performance Management; and</p> <p>(b) Review and revise the network and terms of reference of Performance Management Champions, establish a practice community, and roll-out training on performance management.</p>
<hr/>	
<p>7 Data governance</p>	
<p>To operationalize the direction and priorities set by the DGB, the Data Management Committee (DMC) is intended to help coordinate and support the implementation of good data management practices for all relevant areas. This includes master data, metadata, big data, open data, privacy and security of data and ethical use of data.</p> <p>The audit noted that the DMC has not yet been appointed by the DGB, thereby leaving gaps in the following areas:</p> <ul style="list-style-type: none"> • The direction and monitoring of the implementation of the data management framework (including data quality, data privacy and quality); • Creation and coordination of the sub-committees for data domains and corresponding policies; • Establishment of quality levels and targets for data; • Establishment of the priorities of the Data Integration Committee; and • Provision of assurance to the DGB on the effective operationalization of the data management framework policy. <p>Noteworthy efforts by the Data Integration Working Group and Data Management Working Group have not been directed or overseen and coordinated by the DMC to enhance their focus and effectiveness.</p> <p><u>Underlying cause:</u> Absence of an effective governance body and mechanism to ensure the data management framework is operationalized and made effective.</p>	<p>RMT will finalize and seek approval for the DMC terms of reference, and will nominate committee members to the Data Governance Board, ensuring that the DMC has appropriate delegation of authority to oversee and enforce the effective operationalization of the Data Management Framework policy.</p>

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
	WFP's ICF	WFP's Management Results Dimensions	WFP's Risk Management Framework			
1 Design and formulation of KPIs	Strategic Reporting	Accountability and Funding	Institutional	Guidance	RMP	30 June 2018
2 Data strategy and link to performance management	Strategic	Processes and Systems Programmes	Institutional Programmatic	Guidance	RMT RMP	31 December 2017 31 March 2018
3 Roles and responsibilities in relation to the Corporate Results Framework	Operational	Programmes Accountability and Funding	Institutional	Guidelines	DED	31 December 2017
4 Inconsistent utilization of MRF indicators in the APR	Reporting	Programmes	Institutional	Best practices	RMP	30 April 2018
5 Value for money framework	Strategic	Accountability and Funding	Institutional	Compliance	RMP	30 September 2017
6 Effectiveness of the management performance process	Operational	Accountability and Funding	Institutional	Guidelines	RMP	31 December 2017
7 Data governance	Strategic	Partnerships	Institutional	Guidelines	RMT	30 June 2017

Annex B – Conclusions on risk by audit process areas and internal control components

Table B.1: Conclusions on risk by audit process area

Audit process area	Observation number							Final process area rating
	1	2	3	4	5	6	7	
Define information requirements	High	High	Medium	Medium	Medium	Medium	Medium	High
Gather and process data	-	High		-	-	-	Medium	Medium
Analyse and present data	-	High	-	-	-	Medium	Medium	Medium
Interpret and use data	-	High	-	Medium	-	Medium	-	Medium
Identify data and information gaps	High	High	Medium	Medium	Medium	Medium	Medium	High

Table B.2: Conclusions on risk by internal control component

Internal control component	Observation number							Final internal control component rating
	1	2	3	4	5	6	7	
Control environment	High	High	Medium	-	Medium	-	Medium	High
Risk management	-	-	-	-	-	Medium	-	Medium
Control activities	High	-	-	-	Medium	Medium	-	Medium
Information and communication	High	-	-	Medium	Medium	Medium	Medium	Medium
Monitoring	High	High	-	Medium	Medium	Medium	Medium	High

Annex C – 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 C.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 C.2 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.⁵

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

⁵ 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. 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."⁶ 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 C.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 their 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 C.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:

⁶ OED 2015/016 para.7

Table C.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.
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 utilized – Effective management of resources demonstrated.

Table C.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 C.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 D – Acronyms

APP	Annual Performance Plan
APR	Annual Performance Report
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRF	Corporate Results Framework
DED	Deputy Executive Director
DGB	Data Governance Board
DMC	Data Management Committee
FFR	Financial Framework Review
ICF	Internal Control Framework
IRM	Integrated Road Map
KPI	Key Performance Indicator
MRF	Management Results Framework
OSZ	Policy and Programme Division
RBs	Regional Bureaux
RMP	Performance Management and Monitoring Division
RMT	Information Technology Division
SDG	Sustainable Development Goal
SPR	Standard Performance Report
SRF	Strategic Results Framework
VfM	Value for Money
WFP	World Food Programme