

Internal Audit of WFP's Management of Food Assistance for Assets

Office of the Inspector General
Internal Audit Report AR/17/14



World Food Programme

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Internal Audit of WFP's Management of Food Assistance for Assets

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 management of food assistance for assets. The audit covered the period from 1 January 2016 to 31 March 2017, and looked at events prior and subsequent to this period as required. The audit team conducted the fieldwork from 22 May to 16 June 2017. This included work at WFP headquarters in Rome; specific audit visits to the Guatemala, Kenya, Pakistan and Senegal country offices; a review of audit work on Food Assistance for Assets processes carried out during a recent internal audit mission to Mozambique; desk reviews of Food Assistance for Assets projects and processes in the Honduras, Kyrgyzstan, Nepal and Sri Lanka country offices; and a review of related corporate processes that impact across WFP. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. Food Assistance for Assets using food or cash-based transfers is one of the key activities by which WFP delivers food assistance. The shift to Food Assistance for Assets away from the previous Food for Work and Cash for Work approaches reflects WFP's drive towards food assistance rather than food aid, and a focus on assets and their impact on people and communities rather than on the conditionality (for example, labour) placed on beneficiaries. WFP's Food Assistance for Assets programmes help meet the immediate food needs of food insecure people whilst building assets, helping them strengthen their livelihoods, reduce risks from natural disasters, and make them and their communities more resilient to shocks. Since 2013, between 10 and 15 million people have benefited each year from Food Assistance for Assets programmes in over 50 countries.

Audit conclusions and key results

3. The audit observed that Food Assistance for Assets programmes benefit from a high level of technical expertise concentrated in the Asset Creation and Livelihoods Unit, as evidenced by the existence of extensive and comprehensive normative guidance. The audit also observed several examples of Food Assistance for Assets programmes in country offices where the shift from food aid to food assistance is apparent, and where there is evidence of strong community involvement and ownership of assets created.

4. Audit findings indicate however that expertise at the headquarters level does not extend to all regional bureaux and country offices where, with some exceptions, the audit noted a limited knowledge and understanding of corporate guidance and tools (which in some cases are issued by different entities and may be inconsistent with normative guidance). In some instances there was limited or no understanding of the actual nature and aims of Food Assistance for Assets as a programme modality. As a consequence there are risks of not achieving the objectives of anticipated activities in the design, planning and implementation of programmes. This detrimentally affects stated outcomes in resilience building, productive safety nets, disaster-risk reduction and preparedness. While in all cases observed beneficiaries are receiving food and cash, the shift from food aid to food assistance has yet to materialize in a substantial number of asset creation schemes. In addition corporate reporting data on Food Assistance for Assets encompasses programmatic activities which are actually still food or cash for work. Mechanisms for risk management and oversight of Food Assistance for Assets activities would benefit from a clearer description of roles and responsibilities, thus limiting and rectifying a number of compliance issues detected during the audit.






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5. At the corporate level, the Asset Creation and Livelihoods Unit coordinating all policy and responsible for providing normative guidance related to Food Assistance for Assets had at the time of the audit a structure of ten staff. However eight of these positions are funded from extra-budgetary sources guaranteed only until the end of 2017. Continuation of funding will be required to address the observations in this report and for the unit to achieve its objectives.

6. The audit noted a number of positive practices including: development of the three-pronged approach programming tool, now recognized as standard methodology within the framework of the Rome-based Agencies' resilience agenda; coordination in development of specific guidance on applying the three-pronged approach with various WFP divisions and units; effective coordination with governments and local authorities; cross technical support to support country offices and regional bureaux and clarify engineering responsibilities; and development of the Infobit tool to enhance and streamline communication with key Food Assistance for Assets stakeholders.

7. 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.	Control environment	High	
2.	Risk assessment	Medium	
3.	Control activities	Medium	
4.	Information and communication	Medium	
5.	Monitoring activities	Medium	

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

Using the three-pronged approach to operationalize Food Assistance for Assets – The audit observed that country offices are not all fully implementing the three-pronged approach, which is a fundamental element of the shift to Food Assistance for Assets and which aims to enhance engagement with partners and promote better programming and sustainability of the assets; and that some country offices reviewed are not implementing any of the components of the approach. The audit noted a lack of clarity in the strategic positioning and corporate ownership of three-pronged approach tools; that corporate communication from senior management to build greater awareness of these tools has been missing; and that in many instances the integrated context analysis element of the approach is not a joint effort between relevant units at regional bureaux and country office levels that should bring together different disciplines and information. Furthermore regional bureaux do not always have the capacity for helping country offices to model the three-pronged approach.

Actions agreed

9. 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

Food Assistance for Assets

10. The shift from Food for Work (FFW) and Cash for Work (CFW) to Food Assistance for Assets (FFA) is intended to put communities and their needs at the centre of planning processes. It aims to ensure that FFA is aligned and sequenced with livelihood activities and the programmes of other partners and stakeholders. It is designed to apply cross-cutting lenses such as gender equality and empowerment of women, protection and nutrition in the planning, design, and implementation of activities for additional benefits and impacts. Finally, it aims to ensure that high quality standards are applied to asset building to achieve the intended impacts on livelihoods, food security and nutrition.

11. To be considered as FFA, previous programmes whose focus was on conditionality of labour rather than the asset to be created require this shift in approach. Exceptions to using labour-based activities outside of FFA still exist; this approach remains country-specific and is related to a government's own programme, policy, and strategy frameworks - for example when using labour as a conditionality for public works in productive safety nets and social protection. However, WFP's FFA guidance states that the organization should aim to influence public works to adopt a more FFA type of approach meaning that communities should be the ones to identify and select assets, and be part of the planning process.

12. The Asset Creation and Livelihoods Unit (OSZPR) of the Policy and Programme Division (OSZ) focuses on developing corporate guidance for FFA programmes. Since 2009, there has been a growing dissemination of FFA guidance culminating with Version 1 of the FFA Manual being released in July 2011. The FFA Manual Version 2.0 was issued in July 2016 in response to the findings and recommendations of WFP's external evaluation on the impact of FFA. The OSZPR unit supports regional bureaux (RBx), country offices (COs) and partners in applying the guidance and enhancing capacities to scale-up effective FFA programmes, to ensure high quality programme design and appropriate and evidence-based programme responses.

The Three-Pronged Approach (3PA)

13. The three-pronged approach (3PA) was developed by WFP in consultation with governments and partners. The aim of the 3PA is to strengthen the design, planning and implementation of programmes in resilience building, productive safety nets, disaster-risk reduction, and preparedness.

14. The 3PA is comprised of three processes at three levels:

- Integrated context analysis (ICA) at the national level. A collaborative tool used to identify the most appropriate programmatic strategies in specific geographical areas between the government and its partners, based on areas of convergence of historical trends of food security, natural shocks, and land degradation (as an aggravating factor that heightens the risk and impact of shocks).
- Seasonal livelihood programming (SLP) at the sub-national level. A consultative process that brings together communities, government and partners to design multi-year, multi-sectorial operational plans using seasonal and gender lenses.

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- Community-based participatory planning (CBPP) at the local level. A “from the bottom up” tool that ensures communities have a strong voice and will lead in setting priorities. It is used to develop multi-sectorial plans tailored to local priorities, ensuring prioritisation and ownership by communities.

Objective and scope of the audit

15. 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 of FFA. 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.

16. 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.

17. The scope of the audit covered WFP’s management of FFA from 1 January 2016 to 31 March 2017. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork included work at WFP headquarters in Rome; specific audit visits to the Guatemala, Kenya, Pakistan and Senegal COs; a review of audit work on FFA processes carried out during a recent internal audit mission to Mozambique; and desk reviews of FFA projects and processes in the Honduras, Kyrgyzstan, Nepal and Sri Lanka COs. In addition information was obtained from RBx and other relevant sources.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

Control Environment

- Development of an innovative 3PA programming tool that has been adopted at corporate level for resilience programming beyond FFA, and is now recognized as standard methodology within the framework of the Rome-based Agencies' resilience agenda.
 - Coordination in development of specific guidance on applying the 3PA approach with the Nutrition Division (OSN), Emergency Preparedness and Support Response Division (OSE), and other programming units within the Policy and Programme Division (OSZ).
-

Control Activities

- Overall an effective level of coordination was noted with governments and local authorities.
 - Community structures were observed to be established and functioning.
 - Cross technical support was observed to support COs and clarify engineering responsibilities.
-

Information and Communication

- The Infobit initiative tool was developed to enhance and streamline communication with key FFA stakeholders on a variety of information on guidance, good practices, periodic updates and analytics on reader application/use.

19. Having evaluated and tested the controls in place, the Office of Internal Audit has come to the following conclusions on the residual risks related to the processes examined:

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

Internal Control Components/Lines of enquiry		Risk
1.	Control environment	
	Governance and organizational structures relating to FFA	High
2.	Risk assessment	
	Risk management of FFA programme activities	Medium
3.	Control activities	
	OSZPR unit structure and performance	Medium
	FFA corporate guidance and tools	Medium
	FFA guidelines, systems, tools and processes at CO level	Medium
	Management of asset technical and quality requirements	Medium
	Strategic and operational relationships with partners regarding FFA	Medium
	Asset maintenance responsibilities and processes	Medium
4.	Information and communication	
	Information systems and reporting for FFA	Medium
5.	Monitoring activities	
	Monitoring strategies and processes for FFA activities	Medium

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

21. 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

22. Management has agreed to take measures to address the reported observations.²

¹ See Annex C for definitions of audit terms.

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

Table 4: High-risk observations

Observation	Agreed action
<p>1 Control environment – Using 3PA to operationalize FFA</p> <p>WFP aims to enhance engagement with partners and promote better programming through the 3PA, a programming methodology that aims to strengthen the design, planning and implementation of programmes in resilience building, productive safety nets, disaster-risk reduction and preparedness. The 3PA approach is key for obtaining national and community engagement, and for ensuring ownership and sustainability of assets.</p> <p>The audit observed that COs are not all fully implementing the 3PA; and that some COs reviewed as part of the audit are not implementing any of the 3PA components. Specifically the audit noted the following shortcomings in the implementation of the 3PA across COs implementing FFA programmes:</p> <ul style="list-style-type: none"> ▪ ICAs are not always used. Most COs are still not focusing on historical trend analyses across a number of technical and sectorial disciplines and have not moved away from food security assessments or other snapshot situational analyses to justify asset creation. A better understanding of the context and the recurrence of food insecurity, land degradation and exposure to natural shocks, by geographical areas and numbers of food insecure people, was not always demonstrated. ▪ Linkages between ICA, SLP and CBPP, which together form the components of 3PA, were not comprehensive in the COs reviewed during the audit. ICA geographical targeting, programmatic strategies and beneficiary estimations were not always used to guide parts of SLPs. Local-level partners with whom clusters of communities will be selected for CBBPs were not always identified in SLPs. ▪ 3PA training provided to WFP, partner and government staff through a training of trainers process was not always delivered to the most appropriate key staff. ▪ Language issues in relation to 3PA guidance and tools were identified in some COs. Translation of the FFA guidance into French and Spanish was delayed because of a lengthy coordination process of the translation by external translators and reviewers. <p><u>Underlying Cause:</u> There is a lack of clarity in the strategic positioning and corporate ownership of the 3PA tools. Corporate communication from senior management to build greater awareness of the 3PA tools has been missing. In many instances the ICA is not a joint effort between Vulnerability</p>	<p>(1) OSZ will:</p> <ul style="list-style-type: none"> (a) Identify, in liaison with OS and other senior management as relevant, mechanisms to build greater awareness and utilization of the 3PA tools across the OS divisions; (b) Initiate and coordinate a review of the overall resources allocated to 3PA, in particular to better coordinate the ICA demands from COs and RBx and to contribute to the implementation of 3PA at RB and CO levels in support of country strategic plans (CSPs), and communicate the results of this review to senior management; and (c) Support RBx and COs to promote greater ownership and coordination across units including VAM and programmes for the development of ICAs. <p>(2) OSZPR will:</p> <ul style="list-style-type: none"> (a) Implement mechanisms as identified by OSZ for greater awareness and utilization of 3PA, and promote linkages between 3PA and FFA; (b) Provide support to RBx to enhance their capacity to implement the 3PA in COs and to re-emphasise to COs the need for proper identification of key WFP and partner staff for training on the 3PA tools; (c) Engage with RBx and COs to develop regional or country strategies to promote government leadership and ownership of the 3PA including the use of 3PA for enhanced coordination and partnerships; empowerment of communities in decision

Observation	Agreed action
<p>Analysis and Mapping (VAM), the Emergency Preparedness Branch (OSEP) and programme units at RB and CO levels that should bring together different disciplines and information within WFP. COs have less interest in developing ICAs when SLPs and/or CBBPs have already been developed. RBx do not always have the capacity for helping COs to model the 3PA. Resources allocated to ICA roll-out coordination to contribute to its implementation at RB and CO levels may have not been adequate.</p>	<p>making; greater role of national institutions and local communities in programming/planning, designing and implementing FFA; and, where relevant, work with national governments to influence public works/safety-net programmes toward the 3PA methodology;</p> <p>(d) Identify, in liaison with RBx, priority COs and continue to facilitate/organise 3PA trainings in these COs; and</p> <p>(e) Finalise the translation of FFA guidance and initiate FFA training of trainers package in French and Spanish.</p>

Table 5: Medium-risk observations

Observation	Agreed action
<p>2 Control environment – Oversight mechanisms in respect of FFA</p> <p>Structures to perform quality assurance over FFA programme design (e-PRP and s-PRP) and reporting (SPR review), and to monitor FFA programme implementation, vary between RBx:</p> <ul style="list-style-type: none"> • A dedicated resilience and livelihoods unit funded from extra-budgetary sources has been set-up in Regional Bureau Dakar (RBD) until at least the end of 2017; no such functional units or staff have been set up in other RBx. • The audit noted that the level and nature of oversight and the composition of resilience units varies between RBx; in some cases oversight of aspects of FFA management rests with the regional programme adviser rather than regional resilience staff, and in many cases the nature of interaction between RBx and COs is of support and oversight in the area of programme design. <p>RBx are responsible for the final quality of all country strategies, concept notes and project documents. In the area of programme implementation oversight, the roll-out of COMET has provided complementary information sources to develop second line quality assurance. However, the audit noted that recurrent data entry mistakes for FFA outputs in COMET are often not captured by RBx. More globally, no checklists have been developed to ensure consistent second line quality assurance for FFA programme implementation.</p> <p><u>Underlying cause:</u> Existing corporate guidelines are not clear on the assignment of oversight roles and responsibilities. There are no corporately-defined frameworks and tools covering oversight performance and results sharing for FFA activities.</p>	<p>OSZPR will:</p> <ol style="list-style-type: none"> (a) Clarify with RBx the allocation of oversight work between HQ and RB levels for FFA programmes, and the extent to which HQ will facilitate oversight for COs requiring specialist knowledge potentially not available at RB level; and (b) Facilitate RBx oversight activities via the provision of relevant frameworks and tools; as part of this facilitation development of a standard checklist for RB oversight missions will be considered.
<p>3 Risk assessment – Risk management in respect of FFA</p> <p>Risk management of FFA interventions in COs is not always structured to identify, assess, respond to and escalate all financial and operational risks related to these interventions. In particular, CO risk registers do not always clearly identify key risks and associated mitigations related to the management of FFA interventions.</p> <p>The audit noted efforts undertaken by OSZPR regarding risk management in relation to FFA. Acknowledging that WFP operates in various contexts with varying internal capacity, and that there is strong interest amongst WFP's diverse donors in varying FFA contexts and associated risk management (for example proper environmental risk management being a pre-condition for donors for funding), OSZPR has identified at a corporate level key generic risks for WFP in managing FFA interventions and the systemic causes underlying them.</p>	<p>OSZPR will:</p> <ol style="list-style-type: none"> (a) Reassess corporate risks and mitigating actions associated with the management of FFA, and communicate key information as guidance to RBx and COs following this reassessment; and (b) Engage with and provide support to the Performance Management and Monitoring Division (RMP), via the

Observation	Agreed action
<p>However, OSZPR as a functional unit is not involved in ensuring quality assurance of and reviewing risk registers for FFA specific risks, or for providing advice on appropriate mitigation measures as well as analysis, consolidation and further escalation of risks.</p> <p><u>Underlying cause:</u> The current corporate assessment of risk does not consider all relevant aspects of FFA management including non-alignment with livelihood strategies. Organizational responsibility for quality assurance and provision of advice on FFA-related risks is not aligned to units possessing programmatic expertise.</p>	<p>provision of expert technical inputs regarding global risks associated with the implementation of FFA, for a more comprehensive quality assurance and review of risk registers, monitoring of countries with FFA specific risks, provision of advice on appropriate mitigation measures as well as analysis, consolidation and further escalation of risks by CO, RBx and RMP.</p>
<p>4 Control activities – Maintenance and management of assets</p> <p>The application of the 3PA in the design of FFA interventions uses the CBPP programming tool which places communities at the centre of planning, and which also includes reference to maintenance and management of assets created or rehabilitated.</p> <p>In reviewing the design and implementation of FFA interventions at CO level, the audit noted that in many instances roles and responsibilities for asset maintenance and management were not consistently defined across governments, cooperating partners and communities. CBPP process did not always fully consider roles and responsibilities for asset maintenance, in particular for community assets. Instances were observed during the audit where assets were not maintained adequately. However a good practice was noted in some COs in which terms of partnerships (TOPs) are signed with communities, which facilitate transfer and maintenance of the asset to and by the community respectively.</p> <p>OSZPR implemented a FFA asset matrix in April 2017 which provides guidelines on linkages between types of assets and required engineering support. Based on this updated guidance, the size and technical designs of some of the assets constructed in COs qualifies them as activities with medium or high engineering risks; these types of FFA assets pose a challenge to communities in terms of maintenance to sustain the assets' functionality. The Cooperating Partner Committee (CPC) is not systematically using the engineering risk assessment matrix to assess communities' capacities to manage and maintain assets built or rehabilitated.</p> <p><u>Underlying cause:</u> Limited knowledge on asset maintenance roles and responsibilities, leading to these not being clearly defined with communities during the design phase of FFA activities. The CPC is not systematically identifying those communities who do not possess the skills and capacities to maintain and manage high-tech assets.</p>	<p>OSZPR will:</p> <ul style="list-style-type: none"> (a) Design, develop guidance and promote the implementation of agreements with communities which clarify responsibilities and formulate plans in respect of maintenance for assets constructed or rehabilitated; and (b) Review and revise, in consultation with the NGO Partnership Unit from the Partnerships, Advocacy and Coordination division, the set of criteria used by the CPC for assessing partner and community capacity to manage and maintain assets built or rehabilitated.

Observation	Agreed action
<p>5 Control activities – Rome-Based Agencies Collaboration Framework on Resilience</p> <p>In order to encourage joint efforts to strengthen operational and strategic relationships with the International Fund for Agricultural Development and the UN Food and Agriculture Organization, WFP subscribes to the proposition of the Rome-Based Agencies framework on resilience. The framework was signed in April 2015 by the three Rome-based agencies and provides a mechanism for complementary alignment of approaches to resilience programming that ensures cost effectiveness through collaboration.</p> <p>From the sample of COs visited the audit observed that the framework is not fully operationalized, and that some COs’ FFA teams and/or CO management have no knowledge of its existence in terms of joint programming, implementation, and monitoring of the asset creation activities implemented.</p> <p>Furthermore, some of the COs reviewed have joint and micro-implementation of programme activities at community levels by WFP and FAO, but the implementation of activities is not properly coordinated at RBA CO level to realize benefits emanating from the joint programming.</p> <p><u>Underlying cause:</u> Limited knowledge in COs regarding the existence of the Rome-Based Agencies resilience framework, and failure to distinguish the framework from existing UN Development Assistance Framework/UN Country Team frameworks. Lack of co-ordination mechanisms at Rome-Based Agencies CO level for jointly implemented activities at community level.</p>	<p>OSZ will reemphasize and repackage advocacy to RBx and COs resilience teams and management on the existence and benefits of the Rome-Based Agencies resilience framework, clearly distinguishing the framework from other existing frameworks.</p>
<p>6 Control activities – Strategic use of short term funding for FFA</p> <p>The audit noted that in some instances COs are struggling to implement FFA interventions within the timeframe of short-term funding provided by donors. There are associated potential risks that assets may not be completed on time, that maintenance plans may not be discussed with governments, and that co-operating partners and communities and asset monitoring may not be established.</p> <p>Few COs can access multiple-year funding that would permit a proper design, implementation and monitoring of FFA assets. Short-term funding (such as a six to eight month funding window per year) is common, however many COs do not strategically use these short-term grants to contribute to longer-term plans.</p> <p><u>Underlying cause:</u> Strategic positioning of FFA in CSPs not yet implemented by COs. Existing funding instruments not pooled together for COs’ usage.</p>	<p>OSZPR will:</p> <ul style="list-style-type: none"> (a) Engage with RBx to identify priority COs with significant FFA activities, and to work on evidence-based resource mobilization strategies and multi-year funding plans to take into account anticipated funding contributions for multi-year FFA implementations; and (b) Re-emphasize and reinforce to RBx and COs the use of existing financial tools for seasonal budgeting for FFA activities and for earmarking minimum funding requirements.

Observation	Agreed action
<p>7 Information and communication – Strategic shift away from FFW and CFW</p> <p>WFP has committed itself to transition FFA away from the historical approaches of FFW and CFW, so as to address both the immediate food assistance needs of vulnerable populations and to provide a longer-term investment in livelihoods capitals, to reduce longer-term vulnerability to shocks and enhance livelihood productivity. This shift is in alignment with the results of the 2014 Synthesis Evaluation of FFA and the 2014 WFP responses to the Executive Board.</p> <p>However the audit noted that in four out of nine COs reviewed FFA interventions remained focused on the short term benefit from the transfer (food or cash) and did not fully take account of long-term transformation for food security, livelihoods, resilience, and Disaster Risk Reduction (DRR). This continued focus on short-term benefit does not fully align to WFP’s commitment to transition FFA away from the traditional approaches of FFW and CFW.</p> <p>As such, while in all cases observed beneficiaries are receiving food and cash, the shift from food aid to food assistance has yet to materialize in a substantial number of asset creation schemes. The audit observed that corporate reporting data on FFA encompasses such programmatic activities which in reality are still FFW or CFW.</p> <p>Finally, the audit noted instances of conflicting guidance on programme activities linked to resilience and FFA, where wording still refers to FFW or CFW, highlighting a potential lack of awareness of FFA guidance across the organization.</p> <p><u>Underlying cause</u>: Corporate reporting systems include under the description of FFA programme activities which are in reality conditional relief activities such as FFW or CFW. Lack of knowledge and understanding of corporate guidance regarding FFA in COs. Instances of corporate material being developed by other units/divisions in isolation and without seeking input/technical approval from OSZPR, as the unit accountable for FFA normative guidance, have led to situations where contradictory guidance may exist.</p>	<p>(1) OSZ will:</p> <ul style="list-style-type: none"> (a) Conduct a review to decide whether to introduce a different reporting category, such as conditional relief to provide COs with a short term conditional transfer activity that does not require the planning, design, community consultation required for the implementation of FFA; (b) Formulate a clear strategy to gradually transition existing FFW and CFW schemes to FFA programmes, in cases where a conditional relief activity as referred to in point (a) is not considered appropriate; and (c) Assign responsibility, authority and appropriate resources to OSZPR to perform a technical review of all OSZ normative guidance issued involving/referencing FFA/FFW/CFW as a support or complement to other activities. <p>(2) OSZPR will identify existing OSZ guidance conflicting with FFA guidance, and coordinate with relevant OSZ units to amend contradictions.</p>

Observation	Agreed action
<p>8 Monitoring activities – Monitoring of FFA activities</p> <p><i>Data collection:</i> Data collection tools and methodologies used by COs require improvement as the audit observed that some output/outcome data from locations visited during audit fieldwork could not be found in the corporate monitoring and evaluation (M&E) system (COMET). The absence of GPS location data for some assets prevents COs from revisiting assets and/or interviewing communities. Documentation reviewed during the audit indicated that there is no clear strategy at CO level to monitor outcome and impact of assets created in the medium to long-term after their handover. There is no plan for follow-up surveys to highlight changes over time.</p> <p><i>Data quality assurance:</i> Quality assurance mechanisms are an essential part of any M&E system as a way to assess the quality of the data being reported. The audit noted that routine quality assurance checks performed by COs are sometimes weak as shown by recurrent data entry mistakes for FFA outputs in COMET; the majority of such mistakes are errors introduced due to the absence of verification of the measurement unit (for example hectares, acres, numbers).</p> <p><i>Selecting outcome indicators:</i> FFA outcomes are required to be aligned with WFP’s Strategic Results Framework (SRF) and its corporate outcomes. The Community Asset Score (CAS) is one corporate indicator for FFA activities which measures the number of functioning assets that enable a community and the households living within it to be more resilient, or less negatively impacted by shocks. Feedback obtained during the audit indicated that the CAS provides limited insight into outcomes of FFA activities as it does not measure perceived benefits of asset creation.</p> <p><u>Underlying cause:</u> There are no corporate tools to track assets handed over to counterparts. GPS locations are not systematically recorded by COs. COs are not collecting data once FFA activities have ended. Systematic checks on FFA data entry are not implemented by CO M&E focal points and programme staff. WFP monitoring and survey data is not triangulated with other available data to ensure it is consistent. The asset benefit indicator (ABI) is not used by COs.</p>	<p>OSZPR will:</p> <ul style="list-style-type: none"> (a) Liaise with RMP to explore new technologies and methodologies to improve and complement data collection at field level; (b) Systematically highlight and flag the most common data entry mistakes for FFA outputs in COMET, and work with RMP to put in place feedback mechanisms to address identified data quality issues; and (c) Mainstream the use of the asset benefit indicator (ABI) in the Corporate Results Framework.

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 Using 3PA to operationalise FFA	Strategic	Programmes	Programmatic	Compliance	OSZ	31 March 2018
					OSZPR	31 March 2019
2 Oversight mechanisms in respect of FFA	Operational	Processes and systems Programmes	Institutional Programmatic	Guidance	OSZPR	31 March 2018
3 Risk management in respect of FFA	Operational	Processes and systems	Institutional	Guidelines	OSZPR	31 March 2018
4 Maintenance and management of assets	Operational	Programmes	Programmatic	Guidance	OSZPR	30 September 2018
5 RBA Collaboration Framework on Resilience	Strategic	Partnerships	Contextual	Compliance	OSZ	31 January 2018
6 Strategic use of short term funding for FFA	Strategic	Accountability and funding	Institutional Programmatic	Resources	OSZPR	31 August 2018

Observation	Risk categories			Underlying cause category	Owner	Due date
	WFP's ICF	WFP's Management Results Dimensions	WFP's Risk Management Framework			
7 Strategic shift away from FFW and CFW	Strategic	Programmes	Institutional	Guidance	OSZ	30 September 2018
			Programmatic		OSZPR	31 August 2018
8 Monitoring of FFA activities	Reporting	Programmes	Programmatic	Guidance	OSZPR	30 September 2018

Annex B – Mapping of audit observations to the sample of country offices reviewed

Table B.1: Table indicating the source of audit observations from the country offices reviewed during the audit

Observations	Field visits					Desk review			
	Guatemala	Kenya	Mozambique	Pakistan	Senegal	Honduras	Kyrgyzstan	Nepal	Sri Lanka
1. Using 3PA to operationalize FFA	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Oversight mechanisms	Observation arises at a corporate level								
3. Risk management	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Maintenance and management of assets	-	✓	✓	-	✓	-	-	-	-
5. RBA Collaboration Framework on Resilience	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Strategic use of short term funding	-	-	-	✓	-	-	-	-	-
7. Strategic shift away from FFW and CFW	-	-	✓	✓	-	-	-	✓	✓
8. Monitoring of FFA activities	Observation arises at a corporate level								

Key: in the above table “✓” indicates that evidence was obtained from the audit review of a country office to support an observation made at the corporate level.

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.³

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 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 ICF 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 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:

⁴ 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 recognized 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

3PA	Three-pronged approach
ABI	Asset Benefit Indicator
APP	Annual Performance Plan
APR	Annual Performance Report
CAS	Community Asset Score
CBPP	Community Based Participatory Planning
CFW	Cash for Work
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPC	Cooperating Partner Committee
CRF	Corporate Results Framework
CSP	Country strategic plan
DDR	Disaster risk reduction
FFA	Food Assistance for Assets
FFW	Food for Work
ICA	Integrated Context Analysis
ICF	Internal Control Framework
IRM	Integrated Road Map
OSE	Emergency Preparedness and Support Response Division
OSEP	Emergency Preparedness Branch
OSN	Nutrition Division
OSZ	Policy and Programme Division
OSZPR	Asset Creation and Livelihoods Unit
RBx	Regional Bureaux
RMP	Performance Management and Monitoring Division
SLP	Seasonal Livelihood Programming
SPR	Standard Performance Report
SRF	Strategic Results Framework
TOPs	Terms of partnerships
VAM	Vulnerability Analysis and Mapping
WFP	World Food Programme