Fighting Hunger Worldwide

Internal Audit of WFP Operations in Bangladesh

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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 operations in Bangladesh that focused on the period 1 January 2016 to 30 June 2017. Expenditures in Bangladesh totalled USD 47.2 million in 2016, representing 0.79 percent of WFP's total direct expenses for that year. The audit team conducted the fieldwork from 12 to 30 August 2017 at the Country Office premises in Dhaka and through onsite visits to Cox's Bazar and Khulna.

2. WFP's Bangladesh Country Office has in recent years been gradually shifting from an implementation role to an enabler of national hunger solutions, whilst maintaining the ability to respond to emerging humanitarian needs. In February 2017, the WFP Executive Board approved the 2017-2020 Country Strategic Plan for Bangladesh, which further underlines the shifting role of WFP in the country and introduces nutrition-sensitive programming. The current Bangladesh country portfolio budget plan amounted to USD 89 million for 2017 and was 55 percent funded at the time of the audit report.

3. The Country Office is a pilot in the deployment of WFP's Integrated Road Map. This is an integrated package of corporate processes or actions that strategically aligns WFP to Agenda 2030 and achieving the Sustainable Development Goals, and constitutes a significant transformation for the organization. The experience of Bangladesh as a pilot country office, as well as its Level 3 emergency response under the new integrated model, will be covered in an upcoming internal audit on WFP's transition to the Integrated Road Map.

4. In 2016 and 2017, the Country Office responded to emergencies caused by seasonal cyclones and floods. By the end of the audit fieldwork phase in August 2017, Bangladesh was not only facing widespread and severe flooding from the South Asia monsoon but also a significant influx of refugees as 422,000 Rohingya people crossed the border from Myanmar's northern Rakhine State. WFP activated a Level 3 Emergency Response on 22 September 2017. Following incidents in 2016, the evolving security situation in the country continues to shape, and in some cases constrain, the context in which WFP operates.

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

Audit conclusion

6. The audit found a country office growing in its technical advisor role and delivering on multiple emergency responses while progressing on and contributing to corporate learning and reform. In the last eight months of 2017, the Country Office had its new Country Strategic Plan approved, underwent resource transfer cutover, went live with new financial architecture, and experienced three emergencies, culminating in the activation of a Level 3 response in the period following the audit. Positive practices and initiatives were noted, including new financial reporting and budget tools, and evidence creation relating to nutrition results through cash-based interventions in combination with behavioural change communication to women.

7. The audit observed the office to be stretched in certain areas, including monitoring oversight, and a number of agreed actions included in this report call for better support from headquarters and the Regional Bureau in Bangkok. It also noted a fragmented risk assessment process;

insufficient capacity building of staff and partners; absence of analysis to demonstrate the effectiveness and impact of nutrition interventions implemented in Cox's Bazar; and gaps in stakeholder information analysis and knowledge management.

Key results of the audit

8. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory/some improvement needed.** The assessed governance arrangements, risk management and controls were generally established and functioning well, but needed improvement to provide reasonable assurance that the objective of the operations should be achieved. Issues identified by the audit were rated medium-risk and do not significantly affect the achievement of the objectives of the operations. Management action is recommended to ensure that identified risks are adequately mitigated; the Office of Internal Audit notes that work on actions has in some cases already commenced.

9. The audit report contains thirteen medium-risk observations, three of which have agreed actions directed at a corporate level. Conclusions are summarized 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	Low
5.	Monitoring activities	Medium

Actions agreed

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

11. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

Kiko Harvey
Inspector General

II. Context and Scope

Bangladesh

12. Bangladesh is a lower middle-income country aspiring to be a middle-income country by 2021. With its population of more than 160 million inhabitants and high population density, needs remain significant. Forty million people are food insecure and more than 10 million suffer from acute hunger. The country is exposed to climatic shocks which affect the sustainability of food systems and the resilience of rural populations.

WFP Operations in Bangladesh

13. The Country Office (CO) has been gradually shifting away from being an implementer to an enabler to the Government in achieving its Sustainable Development Goals (SDGs) targets, whilst maintaining the ability to respond to emerging humanitarian needs. The CO aims to reduce hunger and undernutrition by implementing and developing, through effective partnerships, innovative long-term solutions (supporting selected Government safety net programmes which focus on food security and help to mainstream nutrition), as well as by responding to emergencies.

14. In February 2017, the WFP Executive Board approved the 2017-2020 Bangladesh Country Strategic Plan (CSP) with a multi-year budget of USD 202 million. The Bangladesh CSP aims to support the country in ending hunger and reducing malnutrition by 2030 through four strategic outcomes (SOs) and 11 activities. It is largely a continuation of previous activities, with the introduction of nutrition-sensitive programming and an advocacy campaign for improved nutrition. This strategic shift entails an increasingly knowledge-driven Country Office with a stronger focus on evidence creation and analysis, which is capable of providing critical life-saving assistance and other support for recovery from disasters.

15. Following the WFP Level 3 Emergency Response activation on 22 September 2017, a CSP revision was approved to augment the existing SO on crisis response to address significantly increased food needs and to incorporate a new SO to enable WFP's service delivery on supply chain and emergency telecommunications to the wider humanitarian community.

16. Prior to the change to the CSP, the CO had two main projects: a large country programme with a USD 341 million approved budget for the period 2012-16; and a small protracted relief and recovery operation (PRRO) with a USD 17 million approved budget that ran from 2014 to 2017 (both extended to March 2017). In addition, the CO was in receipt of several trust funds for innovative and capacity-strengthening activities, as well as inter-agency/cluster engagements.

Objective and scope of the audit

17. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of WFP's operations in Bangladesh. 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 WFP's operations in Bangladesh from 1 January 2016 to 30 June 2017. Where necessary, transactions and events pertaining to other periods were reviewed. The

CO's response to the August 2017 South Asia monsoon floods and subsequent Level 3 emergency response to the recent refugee influx from Myanmar are not covered by this audit.

20. The audit field work took place from 12 to 30 August 2017 at the Country Office premises and through onsite visits in Dhaka, Cox's Bazar and Khulna.

21. The audit took into account recommendations arising from the cross-functional oversight mission conducted by the Regional Bureau (RB) in Bangkok in May 2017. Several observations in this report further build upon the work performed by the RB.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

Control Environment

- The multi-year outlook and prioritization plan of the CSP facilitated WFP's participation in a joint UN programme criticality review.
- As a pilot in the deployment of WFP's Integrated Road Map (IRM), and having experienced three emergencies under the new IRM framework, the CO is significantly contributing to the development of tools, guidance and processes in support of IRM change.

Risk Assessment

- A comprehensive map has been developed of institutional donors based on historical funding data, analysis of institutional donors' retention, attrition and their potential areas of interest.

Control Activities

- Various examples were noted of good joint planning and/or programme implementation within the United Nations Country Team, the Humanitarian Coordination Task Team, and beyond.
- Alliance building, use of common language and publications/event invitations with multiple logos facilitated the positioning of WFP as an actor contributing jointly with partners to national priorities.
- Effective approaches were observed for managing handover in different activities, as well as evidence of feedback and learning loops in place that facilitate national ownership and sustainability.
- There have been effective efforts to create evidence related to enabling factors for nutrition results through cash-based interventions in combination with behavioural change communication, both delivered to women.

Information and Communication

- Stakeholder feedback, from donors and UN agencies as well as cooperating partners (CPs), is generally positive. In addition, beneficiaries know WFP and reported satisfaction with the food assistance they received through cash-based transfers (CBT).

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

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

Internal Control Component/Business Process		Risk
1.	Control environment	
	Control environment	Medium
2.	Risk assessment	
	Enterprise risk management	Medium
	Emergency preparedness and response and business continuity	Medium
3.	Control activities	
	Resource mobilization and management	Medium
	Programme management	Medium
	Supply chain	Medium
	Human resources	Medium
	Travel and administration	Low
	Partnership and coordination	Medium
	Security	Low
	Gender	Low
	Property and equipment	Low
	Information and communications technology	Low
4.	Information and communication	
	Internal and external communication	Low
5.	Monitoring activities	
	Programme monitoring and evaluation	Medium

24. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of *partially satisfactory/some improvement needed*[1].

25. The audit made 13 medium-risk observations which are presented in Table 4 below.

Action agreed

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

[1] See Annex B for definitions of audit terms.
[2] Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 4: Medium-risk observations

	Observations	Agreed Actions
1	**IRM change –** Impact on Country Office operations A stable management structure was not in place for implementing the IRM change throughout the audit period. The prevailing security situation and restrictions in the country in 2016 and 2017, without any compensatory measures, was reported as a constraint on the ability of the CO to attract international staff, and contributed to gaps in key positions in the audit period. According to CO estimates, staff have devoted significant time to implementing the IRM change with on average 58 percent of time for senior management, 60 percent for the Budget and Programming Officer (BPO), and above 40 percent for other key staff members. As a result, CO resources have been overstretched in some areas and normal activities and compliance requirements have been deprioritized. Examples relate to the HR alignment process, CO monitoring tasks and responsibilities, and to timely updates to the Emergency Preparedness and Response Package (EPRP), for each of which specific audit findings have been raised in this report. A multi-functional oversight mission from the RB in Bangkok (RBB) took place prior to the audit mission, focusing on compliance gaps and areas to improve. While compliance-oriented oversight is useful, this came at a time where the CO had a strong need for support and/or specific outputs to address gaps identified following shifting CO priorities. The audit observed that work is underway to develop resource budgeting and cost monitoring tools, and to stabilize the process for operational planning and prioritization, as well as accountabilities and responsibilities. The completion of these components is challenged by the recent emergencies arising from floods and the refugee influx. Underlying causes: Insufficient/ inadequate transitional support arrangements from HQ and RBB. Underestimation of time commitments and constraints related to the IRM roll-out on existing resources of the CO.	The CO will report its time commitments on the change process to IRM teams at RBB and HQ levels with the aim of identifying areas where support may be required and for lesson-learning for further country roll-out. The RBB will, in consultation with relevant HQ units, establish clear support arrangements for the Bangladesh CO which: (i) Facilitate the finalization of IRM corporate tools at CO level; and (ii) Prioritize critical operational and technical support missions with clear deliverables/outputs for the CO's use in areas highlighted by the audit and as required by the CO.
2	**Enterprise risk management** – Gaps in risk assessment and ineffective process Risks associated with low staff morale (refer to observation number 10) and the loss of skills and institutional knowledge from the workforce alignment exercise were not included in the CO risk register or escalated appropriately. Furthermore, food quality and safety risks were not included in the risk register even though the country is exposed to significant levels of food adulteration and contamination, and the capacities of local suppliers (for example local producers and inspection companies) and national actors and regulators are limited.	The CO will review processes for identifying risks and establishing its risk register to ensure that risks are captured through bottom-up and cross-functional discussions, and that different sources of information on risks are systematically analysed for inclusion in the risk assessment process.

	Observations	Agreed Actions
	In addition, other sources of risk information such as the CBT risk assessment, the CSP, and monitoring activities that are currently decentralized and not consolidated (refer to observation number 13), were not considered in the process of establishing the risk register. The risk of limited partner capacity in Cox's Bazar and the Chittagong Hills Tract highlighted in the CSP are not currently mitigated although there have been CO efforts to assess other partners' presence. Underlying causes: Sensitivity of staff-related risks and need to keep the risk register to a manageable size. Nature of the CO's risk assessment approach, which despite being a consultative process may not facilitate full discussion of some key risks, nor include risks that have been identified elsewhere, and ensure their mitigation is adequately considered.	
3	**Emergency preparedness and response (EPRP) and business continuity** – Updating preparedness action plans and improvements in business continuity planning The CO's emergency preparedness action plans dated from 2015 and 2016. The Khulna sub-office had a 2017 updated plan, while that for the Cox's Bazar sub-office dated from 2013. The CO has begun the process of updating its EPRP to align with the new required corporate format. A Business Continuity Plan dating from 2013 was in place specific to contingency actions in cases of strikes and demonstrations. CO management acknowledged the importance of broader business continuity planning in the context of the Bangladesh operations, especially as it is now a Level 3 emergency. While lack of a business continuity plan has not impacted on the ability of the CO to deliver effective emergency responses during the period of audit, a lack of updated preparedness actions and insufficient consideration of business continuity planning may damage the credibility of the organization in the event of a failure to deliver or loss of life and/or assets; this is particularly the case in an area where WFP is expected to lead and build capacity of its national counterpart. Underlying causes: Workload priorities in preparing the implementation of the CSP and facing operational emergencies instead of updating the EPRP. CO perception that organizational preparedness and readiness actions are a compliance exercise rather than essential for mitigating risks. Lack of clear criteria in existing WFP guidance for establishing business continuity plans in COs based on criticality of operations. Insufficient support on business continuity planning at CO level.	The CO, in consultation with the Emergency Preparedness and Response Division (OSE) at HQ and RB levels, will assess the necessary support arrangements needed for the roll-out of the updated EPRP; delivery of relevant risk analyses; updates to minimum and emergency action plans as well as to any necessary standard operating procedures (SOPs) for the CO; and any relevant simulations to build the capacity of CO staff. The DED will: (i) Commission a support mission, building upon the EPRP mission to the Bangladesh CO, to establish a comprehensive and updated business continuity plan; and (ii) Establish clear risk-based criteria for establishing business continuity plans in CO operations based on such aspects as programme criticality.
4	**Resource mobilization and management**– Gaps in resource mobilization and fundraising approach By November 2017 the CO resourcing outlook had improved with over USD 59 million confirmed and forecast, representing 68 percent of the budget requirement. Both the initial CSP funding level and the emergency-related fundraising results represented an improvement compared to earlier funding levels. As a result in mid-2017 CO management downgraded the underfunding risk included in the country risk register. In addition, the CO has established tools for resource management, recruited in	The CO will strengthen its resource mobilization strategy by: (i) Undertaking analysis and research to identify fundraising opportunities with donors other than institutional and global private partners; considering the introduction of key

	Observations	Agreed Actions
	September 2017 three partnerships officers who focus on providing support to resource mobilization, and is exploring fundraising opportunities from international financial institutions. Donors consulted during the audit were generally positive regarding WFP operations with some confirming interest in further supporting WFP activities. The current CO resource mobilization strategy does not analyse possible fundraising for different donor types (for example: corporate, foundations, financial institutions, individuals) and efforts required. Private funding allows diversification of the fundraising portfolio, provides matching funds for institutional grants and can be a source of flexible funding with fewer reporting requirements and restrictions. The strategy does not sufficiently consider local private fundraising and has not linked such opportunities to its engagement with the private sector as, for instance, it explores market solutions for nutritious products. Acknowledging the difficulties in raising twinning funds for its in-kind donation of wheat, the CO has initiated discussions and negotiations with the Government of Bangladesh to provide the in-kind donation with full cost recovery. Underlying causes: High-level resource mobilization strategy with insufficient analysis and research (for example benchmarks or potential players in the market) on fundraising opportunities with donors other than institutional ones, and lack of clarity on targets and efforts required. Lack of an adequate framework for exploring private fundraising and partnership opportunities at local level and insufficient support in this area.	performance indicators related to opportunities identified and funds raised for roles linked to resource mobilization; and focusing on opportunities for corporate partnership fundraising at local level; and (ii) Developing an action plan for implementing the above, considering that fundraising targets are already included in the CSP.
5	**Resource mobilization and management**– Gaps in budget management and finance A new committee, the Local Pipeline and Resource Management Committee (LP&RMC), had at the time of the audit met three times since its establishment in March 2017 with standing agenda items refining over this period. Staff feedback was generally positive on the functioning of the committee. However, instances were noted of post-factum approvals as well as urgent actions requiring immediate approval when meetings may have been held too late. The audit observed that accountabilities over budget request clearance were diluted and the process was inefficient with superfluous controls and checks by staff. In addition, instances were noted of significant delays in service entry sheet (SES) posting and/or failure to post SESs for completed activities; repeated SES creation and reversals on the same date; and delays in closing purchase orders (PO) lines for completed activities specific to programmes.	The CO will: (i) Clarify the process for approval of urgent decisions and eliminate post-factum approvals in the LP&RMC meetings; (ii) Enforce streamlined budget clearance processes by establishing templates in accordance with organizational requirements and controls; and (iii) Strengthen the monitoring of POs through sharing of monthly PO reports with spending units which highlight the non-recording of SESs.

	Observations	Agreed Actions
	Underlying causes: Corporate solutions for accountabilities and responsibilities yet to be finalized. Establishment by staff of their own checks and internal delegations of authority, and non-compliance with budget clearance processes. Insufficient monitoring of POs.	
6	**Programme management** – Impact and cost-effectiveness of nutrition activities in Cox's Bazar Implementation of life-saving nutrition activities relating to Improving Maternal and Child Nutrition (IMCN) and Blanket Supplementary Feeding Programmes (BSFP) in Cox's Bazar has been challenging for WFP. The Government's strategy and focus is directed towards basic humanitarian food and nutrition assistance[3] in the area. Stakeholders reported that malnutrition indicators may not have improved in specific makeshift sites where nutrition activities were delivered, thus pointing to lack of evidence-based outcomes, and that the cost-effectiveness of the interventions was not clear. There had been instances of resales of special nutritious products by beneficiaries, although actions have been undertaken by the sub-office to address and prevent such incidents from recurring. In addition, there are performance issues with the implementing partner on the IMCN activity specifically in relation to its managerial capacity, ability to recruit skilled staff and technical skills in nutrition. Underlying causes: Lack of analysis of effectiveness of nutrition activities in Cox's Bazar, including analyses of costs and results achieved to date. Other immediate needs of refugees not met. Lack of capacity building of CP in nutrition activities.	The CO will: (i) Undertake an impact and cost-effectiveness analysis of nutrition activities currently implemented in Cox's Bazar in order to demonstrate results achieved to date; and (ii) Following this analysis, outline a capacity building plan for its implementing partners to better support implementation of activities.
7	**Programme management**– Role of supply chain in programme delivery and food quality and safety Some country capacity strengthening activities under Strategic Outcomes 1 and 4, particularly school feeding, are designed under a handover logic. They replicate tested WFP solutions under a new set-up with increased reach and Government of Bangladesh ownership, whereby WFP's supply chain support can take the form of service provision without a clear responsibility in strengthening national systems. For the CO's school feeding activity, the share of work and segregation of roles and responsibilities between WFP and its government counterparts in the area of supply chain and food quality and safety are not clearly defined. With respect to food quality and safety, the audit observed the following: • The positioning, profile and contract type of the food technologist position (vacant for half a year during the audit period but since filled in July 2017) may not be commensurate with food quality and safety workload, contextual risks, the CO's shift in activities with conditional cash	(a) The CO, in consultation with the Supply Chain HQ working group, will clarify WFP's offering in the area of supply chain support considering that service provision should not be provided at zero cost by: (i) Mapping national supply chain solutions, capacity and expertise especially for its capacity strengthening or technical assistance engagement; and (ii) Developing a procedure for all engagements to analyse costs and risks and to clearly define roles and responsibilities. (b) The CO, in consultation with the Food Quality and Safety Unit (OSCQ) and RBB, will:

[3] Bangladesh National Strategy on Myanmar Refugees and Undocumented Myanmar Nationals approved in September 2013, and subsequent brief dating February 2014 shared with the international community.

	Observations	Agreed Actions
	transfers, and government take-up of the school feeding programme with a growing interest in hot meal solutions; and • In the six month period from January 2017 when the food technologist role was vacant, tasks and responsibilities handed over to procurement staff constituted a conflict of interest especially with regard to the identification, assessment, suspension and re-inclusion of vendors. Furthermore, the review of the control and feedback register in Cox's Bazar highlighted a food incident which was followed up by the Logistics Assistant together with national counterparts but was not known to management, suggesting an absence of consolidation and visibility for such incidents, which may not be appropriately analysed for root causes or escalated. Underlying causes: Insufficient consideration of supply chain implications of scale-up. Insufficient screening, mapping and assessment of national actors, including existing processes and capacities to inform decision between service delivery, capacity augmentation and/or involvement of existing national capacities. Absence of a comprehensive assessment of the food quality and safety capacity and contract type needed at CO level for effective delivery of the programme. Insufficient understanding of corporate protocols for food-related incident management and reporting.	(i) Conduct an assessment of the food quality and safety workload and capacity required by the CO to sustainably support CSP activities; develop appropriate terms of reference and reporting lines; and ensure clear delineation of responsibilities for risks and controls pertaining to food quality and safety; and (ii) Arrange for training and capacity building in food quality and safety incident management and reporting.
8	**Cash-Based Transfers –** Technical SCOPE support for the scale-up Technical issues with the SCOPE application used to manage CBT activities, although escalated to the SCOPE helpdesk, were observed to have been recurrent during the audit period. For the Enhancing Food Security programme several monthly distributions had to be processed offline, which led to the manual processing of beneficiaries and prevented cash reconciliations from being carried out. In addition, issues regarding updates to beneficiary data (for example, registering new members or deaths) often caused data losses in the system and subsequent delays in e-voucher top-ups for related families. Following the audit mission, support was extended to the CO by HQ and the RBB Scope team. Underlying causes**:** Lack of clarity on technical support arrangements for the scale-up.	RMTB will field a support mission to the Bangladesh CO in light of the scaling-up of e-voucher activities, significant influx of refugees and Level 3 emergency declaration to address recurring technical issues faced by the CO and to build capacity of staff in-country.
9	**Supply chain** – Weaknesses in procurement planning and in shop price negotiation While the audit observed that procurement files were well maintained, there was scope to strengthen processes and the independence of the supply chain function; in particular the audit observed that names and emails of procurement staff were specifically mentioned in tender documents, which potentially exposed the CO to risks of collusion and manipulation of tenders.	The CO will: (i) Establish and utilize a generic email address for tendering processes;

Observations	Agreed Actions
The audit observed that the CO has an ad-hoc, transaction-oriented way of working, which does not allow for prioritization, consolidation and achieving economies of scale or quality improvements. For example last minute requisitions resulted in inefficiencies such as delays, duplicate processes and waivers, as well as additional costs. In the case of international procurement, there were a number of internal and external reasons for delays, which could have been prevented by implementing a sourcing strategy and the early consideration of risks and alternative sourcing options. For specialized food items which require quality and safety inspection, the CO does not have a longer-term strategy considering volumes to be procured, market players and respective risk and cost analysis of the supply chain. Prices of food sold in camps were not defined in retailer contracts but subject to a monthly negotiation between the retailers and WFP. Once the parties agree prices, voucher values are also adjusted on a monthly basis. The CO is involved in negotiations via teleconference but retailers consider sub-office (SO) staff as their direct focal point. This exposes SO staff to pressure at local level, does not reflect their core capacity and skills, and exposes WFP to potential manipulation and collusions at SO level. Furthermore, the re-negotiation on a monthly basis is time consuming. Underlying causes: Purchase decisions made based on budget availability. Limited and/or fragmented procurement planning. Available information on needs, risks and opportunities not consolidated for optimized sourcing strategy. Decentralization of key activities for part of the audit period, market price volatility, shop contracts not including a basis for price setting and insufficient consultation with the retailer supply chain team at corporate level.	(ii) Require activity managers to translate their annual work plans and budgets into annual procurement plans specifying indicative expected delivery dates; (iii) For products critical for programme delivery, establish product-specific strategies and improve the communication between procurement staff and activity managers on related risk management and progress reporting. (iv) Ensure the procurement unit is leading the price negotiation with retailers at CO level; (v) Carry out an analysis of prices and volumes purchased to identify relevant trends and factors influencing price, and with Vulnerability Analysis and Mapping (VAM) Unit support carry out price surveys at SO, CO and regional level to adequately inform negotiations; (vi) Discuss with retailers the opportunity for revising contracts, setting up a price index as a basis for calculating prices on a monthly basis and adjustments on a quarterly basis; and (vii) Liaise with the retailer supply chain team to ensure elements of the retailer strategy are leveraged in the CO context.
10 **Human resources** – Skills and control gaps in human resource (HR) management A comprehensive analysis of skills gaps, needs and development plans required to align the workforce structure to the shifting strategic role of the CO as per the CSP had not been undertaken. Areas of need for staff capacity building relate to country capacity strengthening, supervisory and managerial skills, as well as knowledge management and advocacy skills. The lack of training and skills development was reported to the audit to be a cause for low staff morale, especially for staff located at one of the SOs visited by the audit.	(a) The CO, in consultation with the Human Resources Division (HRM) and RBB, will carry out a skills gap and needs analysis to support the delivery of the CSP, and update the current CO internal capacity development plan accordingly. (b) The CO will strengthen its HR management controls by:

	Observations	Agreed Actions
	Several issues were identified in relation to HR management processes including no regular performance assessments of service contract staff or exit interviews to capture the reasons for staff leaving; one instance out of five reviewed where the recruited consultant did not meet competencies and skillset in the terms of reference (TOR); and high levels of staff forfeiting days of leave as well as high levels of sick leave, both of which may have been indicative of significant work pressures. Underlying causes: Capacity development of staff, regular performance assessments, aligning terms of reference to skillsets for consultant recruitment, leave management, and exit interviews are not prioritized. Workload pressures may in some cases prevent staff from taking leave. Possible monetization of up to 60 leave days upon separation incentivizes staff not to take their leave days.	(i) Establishing and enforcing regular performance assessments of all staff; (ii) Improving independent control checks over the recruitment of consultants to ensure TORs match competencies; (iii) Carrying out, on a systematic basis, exit interviews to capture and document the reasons for staff leaving the organization; and (iv) Reviewing and analysing workload pressures and staff leave to ensure leave days are not unduly lost.
11	**Partnership and coordination** – Gaps in stakeholder information management and analysis Delivering on country capacity strengthening objectives requires interaction with and understanding of multiple actors, including of national systems and the manner in which they operate. Such knowledge exists within the CO but is held by long-serving national and international staff, with situations of insufficiently documented decision-making. Furthermore, this knowledge is at risk of being lost with the frequency and impact of turnover in counterparts and in WFP staff and expertise; such loss may disrupt delivery of WFP's commitments. The CO has a comprehensive approach (including an SOP and established controls and templates) for the selection and assessment of CPs, and has recently increased its efforts to expand the CP pool. However, assessments were not always available as required by the SOP, or were not sufficiently adjusted in frequency and depth to address capacity and/or performance issues of certain CPs. The audit noted that the CO had established a process of conducting performance assessments as an audit preparedness exercise. With regard to suppliers of knowledge and advocacy products (for example, research studies and analysis by institutes), performance assessments did not differentiate between specific areas of expertise or technical ability. Without consolidation of performance track records by service delivered and area of expertise, the CO may not be able to apply a differentiated and risk-informed approach in its third-party selection and capacity building decisions. In addition, it may not be able to monitor the completion of assessments.	(a) The CO will: (i) Enhance current stakeholder information management efforts by establishing and sharing amongst staff a log of key stakeholder meetings. The log should record opportunities which could have an impact on WFP programme delivery and/or positioning; and (ii) Arrange for training to develop staff knowledge management skills. (b) The CO will streamline and tailor its SOP on stakeholder assessment by: (i) Ensuring that its draft performance assessment template for service providers of knowledge and advocacy products becomes an integral part of its vendor management process, to capture differentiated performance information by technical ability; (ii) Setting-up a database or dashboard for CPs and service providers of knowledge and advocacy products differentiated by services areas of expertise delivered, and supplemented with information on capacity and

Observations	Agreed Actions
Underlying causes: Undocumented decision-making leading to insufficient knowledge-transfer. Lack of tools and skills for knowledge management of key stakeholder information, and where those exist, insufficient utilization by the CO. Lack of consolidation of CP profiles and performance track records. One-size-fits-all approach which is too time-consuming and not commensurate with different risk levels, resulting in non-compliance with the CO's SOP.	performance assessments to inform risk-based decisions on future selection and capacity-building opportunities of such partners and vendors prior to contracting; and (iii) Using the above database or dashboard to monitor completion of assessments.
12 **Internal and external communication** – Inadequate set-up and protocols for internal and external communication The CO's set-up and protocols are not supportive of communication and advocacy work both internally and with external stakeholders. During the audit period, staffing was limited to one dedicated communications staff member plus a national officer for part of the period. Several communication products and publications encountered delays, such as the 2016 annual report. The CO communications strategy had not been completed because of multiple delays to a planned RB/HQ support mission. The absence of such a communication and knowledge sharing strategy contributed to difficulties faced by the CO in articulating and communicating a cohesive narrative concerning its portfolio of activities. Both management and staff reported examples of missed opportunities to leverage the CO's advocacy work in positioning and outreach. Meeting minutes or information were not always shared or shared on a timely basis. Furthermore, with siloed information, there was a risk of missed opportunities in communicating and promoting effectively the CO's work via internal and external platforms. Acknowledging missing building blocks for effective (re)positioning and outreach, the CO management scheduled a communications support mission in September 2017. The mission took into account findings from the audit mission in drafting its terms of reference. Underlying causes: CD's time and focus on managing the office and providing guidance to programme in the absence of a Deputy Country Director for Strategy and Programme for eight months. Extensive time required to travel within Dhaka, which constrained outreach efforts to various stakeholders. Lack of clarity on communication and visibility priorities for the CO. Unclear protocols for management approving, and for non-communication staff to engage in, information sharing.	The CO, in consultation with the HQ Communications Unit, will: (i) Review its set-up, strategy, tools and protocols for internal and external communications; (ii) Establish clear communications and visibility priorities for the CO; and (iii) Clarify management protocols for approving information as well as the process for non-communication staff to feed information into standard templates and/or into specialized products handled by the CO's dedicated communications staff.

Observations		Agreed Actions
13	**Programme monitoring and evaluations** – Limited oversight and harmonization of monitoring practices The audit observed that monitoring practices in the CO were mainly decentralized with Field Monitoring Assistants (FMAs) reporting to their respective Head of SO. The M&E unit in the CO, consisting of two staff, did not provide methodologies for sampling sites to be visited for process and output monitoring; as a result, SOs adopted different sampling criteria for sites. In addition, the CO had insufficient visibility on SO monitoring activities (for example, planned versus actual sites visited are not consolidated). There was no information system for consolidating monitoring data from SOs to allow identification of systemic issues for follow-up and effective visibility and oversight of SO monitoring activities. Control and feedback registers were not consolidated and their review was not systematic. The CO acknowledged this information system gap and is currently working on setting up such a system; during the audit period however, data was collected through a cumbersome manual process which required a long time to complete, and there were delays in sharing quarterly monitoring reports between M&E and programmes units. In Cox's Bazar, segregation of duties was insufficient when the relevant project coordinator was absent, with one FMA undertaking all activities on the project, including receiving partner distribution reports and updating the SCOPE system. The focal point responsible for the school feeding programme implementation was also undertaking monitoring of implemented activities. Underlying causes: M&E unit assigned to cover multiple areas such as supporting the IRM or various managerial tasks. Guidance, coordination and oversight of SO practices and process monitoring de-prioritized. Fragmentation of the control and feedback mechanism. Lack of functional reporting to the M&E unit. Lack of mitigating controls in cases of absence cover or emergency responses such as redistribution of tasks or independent review of tasks completed.	The CO will: (i) Issue guidance on process monitoring, including minimum numbers of sites to be visited and sampling criteria; (ii) Ensure consolidation and review at CO level of control and feedback registers; (iii) Ensure that the SOP for M&E clearly establishes required controls by the M&E unit over SO monitoring practices; and (iv) Clarify interim mitigating controls and segregation of duties arrangements in the case of absences of key staff and ensure independent checks are conducted by management on programme implementation and monitoring practices.

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 Internal Control Framework	WFP's Management Results Dimensions	WFP's Risk Management Framework			
1	IRM change – Impact on CO operations and internal control	Control Enviroment	Processes & Systems	Institutional	Guidance	BDCO RBB	31 December 2017 30 September 2018
2	Enterprise risk management – Gaps in risk assessment and ineffective process	Risk Assessment	Processes & Systems	Institutional	Guidance	BDCO	31 January 2018
3	Emergency preparedness and response and business continuity – Updating preparedness action plans and improvements in business continuity planning	Risk Assessment	Processes & Systems	Institutional	Resources	BDCO DED	31 March 2018 30 June 2018
4	Resource mobilization and management – Gaps in resource mobilization and fundraising approach	Control Activities	Accountability & Funding	Programmatic	Best practice	BDCO	31 March 2018
5	Resource management – Gaps in budget management and finance	Control Activities	Accountability & Funding	Institutional	Guidance	BDCO	31 December 2017
6	Programme management – Impact and cost-effectiveness of nutrition activities in Cox's Bazar	Control Activities	Programmes	Programmatic	Resources	BDCO	30 September 2018

Observation		Risk categories			Underlying cause category	Owner	Due date
		WFP's Internal Control Framework	WFP's Management Results Dimensions	WFP's Risk Management Framework			
7	Programme management – Role of supply chain in programme delivery and food quality and safety	Control Activities	Programmes	Programmatic	Best practice	BDCO	31 March 2018
8	Cash-based transfer – Technical SCOPE support for the scale-up	Control Activities	Programmes	Programmatic	Resources	RMTB	31 December 2017
9	Supply chain – Weaknesses in procurement planning and in shop price negotiation	Control Activities	Processes & Systems	Institutional	Compliance	BDCO	31 October 2018
10	Human resources – Skills and control gaps in human resource management	Control Activities	People	Institutional	Compliance	BDCO	31 March 2018
11	Partnership and coordination – Gaps in stakeholder information management and analysis	Control Activities	Partnerships	Programmatic	Best practice	BDCO	31 March 2018
12	Internal and external communication – Inadequate set-up and protocols for internal and external communication	Information and Communication	Processes & Systems	Institutional	Guidance	BDCO	28 February 2018
13	Programme monitoring and evaluations – Limited oversight and harmonization of monitoring practices	Monitoring Activities	Programmes	Programmatic	Compliance	BDCO	31 January 2018

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 one of the following four categories is reported for each audit: effective/satisfactory; partially satisfactory/some improvement needed; partially satisfactory/major improvement needed; or ineffective/unsatisfactory. These categories are defined as follows:

Table B.1: Rating system

Engagement rating	Definition
Effective / Satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit, if any, do not affect the achievement of the objectives of the audited entity/area.
Partially satisfactory / Some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well, but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
Partially satisfactory / Major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / Unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated.

2. Risk categorization of audit observations

2. Audit observations are categorized by impact or importance (high, medium or low risk) as shown in Table B.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.[4]

[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.

Table B.2: Categorization of observations by impact or importance

High risk	Issues or areas arising relating to important matters that are material to the system of internal control. The matters observed might be the cause of non-achievement of a corporate objective, or result in exposure to unmitigated risk that could highly impact corporate objectives.
Medium risk	Issues or areas arising related to issues that significantly affect controls but may not require immediate action. The matters observed may cause the non-achievement of a business objective, or result in exposure to unmitigated risk that could have an impact on the objectives of the business unit.
Low risk	Issues or areas arising that would, if corrected, improve internal controls in general. The observations identified are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

3. 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 recognizes 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 the systems' performance over time and to ensure that internal control continues to operate effectively.

4. Risk categories

6. The Office of Internal Audit evaluates WFP's internal controls, governance and risk management processes to reach an annual and overall assurance on these processes in the following categories:

[5] OED 2015/016 para.7

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. To facilitate linkages with WFP's performance and risk management frameworks, the Office of Internal Audit maps assurance to the two frameworks below:

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.
2	Partnerships	Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated.
3	Processes & Systems	High quality programme design and timely approval – Cost efficient supply chain enabling timely delivery of food assistance – Streamlined and effective business processes and systems – Conducive platforms for learning, sharing and innovation.
4	Programmes	Appropriate and evidence-based programme responses – Alignment with government priorities and strengthened national capacities – Lessons learned and innovations mainstreamed – Effective communication of programme results and advocacy.
5	Accountability & Funding	Predictable, timely and flexible resources obtained – Strategic transparent and efficient allocation of resources – Accountability frameworks utilized – 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 (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 to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

Annex C – Acronyms

BSFP	Blanket Supplementary Feeding Programmes
CBT	Cash-based transfers
CD	Country Director
CO	Country office
CP	Cooperating partner
CSP	Country Strategic Plan
EMOP	Emergency operation
EPRP	Emergency preparedness and response package
FLA	Field level agreement
FMA	Field monitoring assistant
FO	Field office
HR	Human resources
ICT	Information and communications technology
IMCN	Improving Maternal and Child Nutrition
IRM	Integrated road map
LP&RMC	Local Pipeline & Resource Management Committee
M&E	Monitoring and evaluation
OSCQ	Food Quality and Safety Unit
PO	Purchase order
PRRO	Protracted Relief and Recovery Operation
RB	Regional Bureau
RBB	Regional Bureau Bangkok
SES	Service entry sheet
SO	Strategic outcome
SOP	Standard operating procedure
TOR	Terms of reference
USD	United States Dollar
WFP	World Food Programme