Internal Audit of WFP Operations in South Sudan

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Contents

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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 South Sudan that focused on the period 1 January 2017 to 31 March 2018. Expenditures in South Sudan totalled USD 599 million in 2017, representing 10 percent of WFP's total direct expenses for that year. The audit team conducted the fieldwork from 16 April to 4 May 2018 at the country office premises in Juba and through onsite visits to the Bor, Rumbek and Juba field offices.

2. WFP has had a continuous presence in South Sudan since the declaration of independence in July 2011 and prior to independence under the Sudan country office's operations, scaling up its interventions in December 2013 when a level 3 emergency was declared in the country. WFP provides life-saving assistance to people affected by conflict and acute food insecurity, as well as to refugees and displaced people, primarily through in-kind food distributions and supplementary feeding.

3. The integrated food security phase classification for South Sudan projects estimates that, in the absence of assistance, as many as 7.1 million people - the highest number ever, and one million more than the same period in 2017 - could be severely food insecure in the peak of the lean season from May to July 2018. This includes 155,000 people in catastrophe (phase 5) living in Unity, Jonglei, Northern Bah el-Ghazal and Upper Nile states.

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

Audit conclusions and key results

5. The audit found that the country office exceeded the planned coverage for 2017 of 4.8 million beneficiaries by 700,000 people, despite extremely challenging conditions. WFP's response averted famine conditions by assisting over 400,000 beneficiaries in Unity State.

6. WFP reaches beneficiaries via approximately 3,375 food distribution points in nearly every county in South Sudan. The geographical, security and logistical contexts in which the country office operates make reaching beneficiaries inherently difficult, requiring strong internal control and governance mechanisms to meet the challenges of the operating environment.

7. Issues were noted in targeting, registration and verification activities, which may contribute to the sale of commodities by some beneficiaries. In response, the country office was scaling up biometric registration of beneficiaries, which in some cases resulted in significant reductions of the beneficiary caseload. WFP is also working to operationalize information sharing agreements with other United Nations agencies, with the aim of accelerating beneficiary registrations using reliable means of identification.

8. A rigorous, defined and documented process was not established to demonstrate that all risks and cost options had been considered prior to making decisions on logistics delivery modalities over the period reviewed. Some improvements were needed to enable more timely execution and robust monitoring of the

prepositioning of commodities, planned at 140,000 metric tonnes for 2018, the largest number of commodities ever prepositioned by the country office. The country office was focusing on reducing logistical delivery costs and was developing several proposed initiatives, with potential cost savings in excess of USD 96.5 million per year.

9.   The roll out of the Integrated Road Map model was yet to be accompanied by a robust review of organizational structure, skills gaps, and a determination of the roles, responsibilities and authority of the country office and field offices. Mechanisms have not yet been fully established to monitor and control the USD 3.2 billion budget included in the 2018-2020 Interim Country Strategic Plan at the field office and spending unit level in a structured way. This was due to the need for sufficient time to fully understand the implications of the new structure before setting up fund centres for field offices, and the need to apply alternate control mechanisms instead of the internal orders used under the project framework, decreasing process efficiency and increasing the risk of error during the transition.

10. The audit noted progress in the country office's engagement with partners. However, roles and responsibilities related to partner selection, contracting, assessment and communication were still not sufficiently defined. The audit noted that internal oversight and risk management capabilities were strengthened over the audit period in response to pervasive risks of fraud and corruption in the operating environment. Significant staff wellness improvements were also achieved, with challenges remaining in the administration of approximately 1,100 employees.

11. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **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.

12. The audit report contains 3 high priority and 6 medium priority observations, one of which has an agreed action directed at a corporate level. The high priority observations are:

13. **Humanitarian commodities in the market**: All three lines of defence have identified that WFP food assistance commodities are available on the market in South Sudan. The country office has conducted several special inquiries yet could not ascertain with a reasonable degree of confidence the magnitude of leakages, or the locations and sources of commodities. They could also not confirm the assumption that losses were post-distribution sales. The audit noted that donor reports did not provide clarity on this issue, nor enable effective and joint risk mitigation actions.

14. **Beneficiary management and data sharing**: The registration and positive verification of beneficiaries lacked robust and secure systems to de-duplicate and positively verify beneficiaries. Plans to register up to 3 million beneficiaries in WFP's beneficiary information and identity management system (SCOPE) by the end of 2019 may be at risk due to technical and data quality issues, information technology infrastructure limitations, as well as a lack of staff and agreements with authorities to gather, store and use beneficiaries' biometric data. Data sharing agreements with other United Nations agencies have not been fully implemented due to data quality issues and a lack of inter-operability between systems.

15. **Supply chain planning and cost efficiencies:** Decisions on logistics delivery modalities were not supported in all cases by a rigorous, defined and documented process demonstrating consideration of all cost options and all financial and non-financial risks. These included decisions on the utilization of air assets to deliver food assistance (estimated to cost USD 227 million is 2018). Cost reduction strategies of the country office identified potential cost savings of up to USD 96.5 million per year.

Actions agreed

16. 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.

Kiko Harvey

Inspector General

II. Context and Scope

South Sudan

17. The Republic of South Sudan became the world's newest nation on July 9, 2011 following more than 50 years of conflict. Renewed conflict in December 2013 and July 2016 has undermined the development gains achieved since independence and has worsened the humanitarian situation. The crisis is currently exacerbated by mass population displacement and economic collapse, which has seen gross domestic product per capita fall from USD 1,111 in 2014 to less than USD 200 in 2017[1].

18. Localized famine was averted in 2017 in Unity State, where WFP assisted 400,000 beneficiaries. However, severe food insecurity has continued to increase for the fifth consecutive year to a record high of 7.1 million people in May 2018. Moreover, severe food insecurity is expected to rise again and deteriorate further during the 2018 lean season. The worst-case scenario is the return of famine conditions in multiple locations across the country.

19. Accessing affected populations in South Sudan remains a significant challenge and driver of cost for the humanitarian sector. The country has very limited and poor road infrastructure, with 70 percent of the road network becoming physically inaccessible from May to October due to seasonal rains. Moreover, due to the ongoing conflict and economic collapse of the country, a reported 451 violent attacks against humanitarian personnel and assets took place from January to October 2017, creating additional access constraints and increasing operating costs.

20. The magnitude and severity of the needs for relief assistance are expected to outpace funding of the 2018 Humanitarian Response Plan (HRP). This is because the challenging operating environment is making operations in the country increasingly costly.

WFP Operations in South Sudan

21. In December 2013 WFP declared a Level 3 emergency in the country, which remained in place at the time of this report. WFP requirements to provide assistance under the 2018 HRP total USD 830 million, representing 48 percent of the plan. In addition, WFP supports the development of a new inter-agency cooperation framework post-2018. This builds on its active role in the United Nations coordination mechanisms in South Sudan and essential support activities for the humanitarian community through the United Nations Humanitarian Air Service (UNHAS).

22. The country office (CO) is in the first year of implementation of the 2018-2020 Interim Country Strategic Plan (ICSP), approved in November 2017 and requiring USD 3.2 billion for the period of implementation. The ICSP is based on the most likely scenarios facing the country, and addresses strategic outcomes 1, 2, 3 and 8 of WFP's Strategic Plan (2017–2021), through the following:

   a. Strategic Objective 1: Food-insecure people in crisis-affected areas have access to safe and nutritious food all year round.

   b. Strategic Objective 2: People at risk of malnutrition in crisis-affected areas, especially young children and pregnant and lactating women, are able to meet their basic nutrition requirements all year round.

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[1] www.worldbank.org/en/country/southsudan/overview

c. Strategic Objective 3: Food-insecure smallholders and communities in non-conflict zones have enhanced livelihoods and resilience to seasonal climate shocks throughout the year.

d. Strategic Objective 4: The humanitarian community in South Sudan has access to reliable common services until satisfactory alternatives are available

23. Activities that were ongoing in 2017 under Special Operations projects 200778, 201029 and 200379 have either been discontinued or rolled into the ICSP in 2018. Emergency operation (EMOP) 200859[2] and the Protracted relief and recovery operation (PRRO) 200572[3] have continued separately, resulting in a dual structure for resource management until funding is exhausted and relief activities can be fully embedded in the ICSP, see table 1:

Table 1: Budget and Expenditures of South Sudan Projects

Project	Original budget USD million	Latest budget USD million	Current overall funding %	Actual expenditures from Jan-Dec 2017 USD million
SS01 (ICSP)	3,183	3,183	3%	0
EMOP 200859	555	1,413	81%	442
PRRO 200572	626	959	68%	87
SO 200778	35	90	102%	25
SO 200379	81	144	58%	5
SO 201029	58	58	118%	41

24. WFP operations in South Sudan employ approximately 1,100 people, are coordinated from the CO in Juba and 15 field offices, and in 2017 reached 4.8 million beneficiaries through approximately 3,375 food distribution points across the country.

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[2] 200859: aims to provide life-saving assistance to 3 million people displaced and affected by conflict and acute food insecurity through food distributions and blanket and targeted supplementary feeding to prevent and treat acute malnutrition throughout South Sudan. The Food Security and Livelihoods Cluster, which WFP co-leads with the Food and Agriculture Organization, has been incorporated under the EMOP, and seeks to ensure the most efficient response to food insecurity.
[3] 200572: focusing on refugee populations and areas in the country that are more stable, the project includes blanket and targeted supplementary feeding to prevent acute malnutrition, food assistance for assets, cash-based transfers, food for education and Purchase for Progress

Objective and scope of the audit

25. 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 South Sudan. 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.

26. 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.

27. The scope of the audit covered the period from 1 January 2017 to 31 March 2018. Where necessary, transactions and events pertaining to other periods were reviewed.

28. The audit did not cover UNHAS operations as an internal oversight mission of these activities was being conducted at the time of the audit.

29. The audit field work took place from 16 April to 4 May 2018 at the CO premises and through onsite visits to the Bor, Rumbek and Juba field offices (FOs).

III. Results of the Audit

Audit work and conclusions

30. Taking into account the CO's risk register (RR), findings of WFP's second line of defence functions, as well as an independent audit risk assessment, the audit work was tailored to the country context and to the objectives set by the CO.

31. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **Partially satisfactory / Major improvement needed**[4]. 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.

32. The Office of Internal Audit, in supporting WFP's management's efforts in the areas of risk management and data quality, separately reports its assessments or gaps identified in both areas.

Risk management maturity

33. The CO 2018 RR had been finalized at the time of the audit fieldwork, and the 2017 and 2018 RR and respective mitigation actions, as well as other inputs into risk management, were used as a basis to assess risk maturity. At the time of the audit the 2018 Annual Performance Plan (APP) including the RR was being coordinated by the risk and compliance officer. All issues identified during the audit were either explicitly or implicitly captured in the CO's RR.

34. Missions from the Regional Bureau Nairobi (RBN) and headquarters (HQ) technical units during the audit period were of a support rather than oversight nature, providing the CO with inputs in areas where expertise and guidance beyond the CO's own capacities was needed. Most of the RBN support mission actions directed at the CO had or were being implemented at the time of audit fieldwork.

Data quality

35. Challenges relating to data quality identified during the audit are reported in observations 2, 3, 4, 5, 6 and 8, regarding sale of food assistance commodities, beneficiary management and data sharing, monitoring and complaints and feedback mechanisms, monitoring and tracking of budget consumption, human resources administration, and supply chain planning.

Observations and actions agreed

36. Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are rated as medium or high priority; observations that resulted in low priority actions are not included in this report.

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[4] See Annex B for definitions of audit terms.

Table 1: Overview of areas in scope, observations and priority of agreed actions	Priority of issues/agreed actions

A: Governance and structure	
The CO was in the first year of implementation of the 2018-2021 ICSP and Integrated Road Map (IRM) model, driving organizational challenges in managing dual project structures during the period of transition, skill-gaps and inadequate contract types, as well as organizational structure and reorganization issues. Internal oversight and risk management capabilities were strengthened during the audit period and responded to high risks of fraud and corruption. There was alignment between the APP, unit strategies and individual performance.	
1 Organizational structure and workforce planning	*Medium*
B: Delivery	
The sale of commodities by beneficiaries lacked robust monitoring and reporting. In addition, the implementation of effective beneficiary management solutions was at risk from various factors. Whilst improvements over recent years were noted, monitoring and complaint and feedback mechanisms required strengthening to ensure potential programme design and delivery, fraud and corruption, and protection against sexual exploitation and abuse (PSEA) risks are detected and addressed. Asset risk management measures have been implemented and were found to be operating effectively.	
2 Humanitarian commodities in the market	*High*
3 Beneficiary management and data sharing	*High*
4 Monitoring and complaints and feedback mechanisms	*Medium*
C: Resource management	
Mechanisms had not yet been fully established to monitor and control the USD 3.2 billion budget included in the 2018-2020 ICSP by FOs and spending units, increasing the risk of errors and process inefficiencies. Staff wellness strategies have been implemented, however the administration of approximately 1,100 employees lacks robust staff capacity, control and oversight mechanisms.	
5 Monitoring and tracking budget consumption by FOs and spending units	*Medium*
6 Human resources administration	*Medium*
D: Support functions	
Whilst life-saving deliveries of assistance by air may be needed under certain circumstances, supply chain planning and decisions on the modes of transportation are not undertaken following a rigorous, defined and documented process to enable and demonstrate consideration of all cost options and of all financial and non-financial risks, including protection and security considerations. The prepositioning of commodities started late in 2018 and was not accompanied by robust monitoring mechanisms.	
7 Supply chain planning and cost efficiencies	*High*
8 Prepositioning of commodities	*Medium*

E: External relations, partnership and advocacy
The CO's Partnership Action Plan, in draft as at May 2018, acknowledges that systematic and strategic engagement with partners is fundamental for the success of the ICSP. The audit noted progress in the implementation of actions identified by management including planning, reporting and invoice payments, and investment in partners' management capacities. However, more clarity is needed on roles and responsibilities, and performance assessment and selection, contracting and communications with partners require strengthening.

9 NGO partnerships	*Medium*

F: Information and communication technology
Information gathered during the audit risk assessment indicated this as an area of low risk. However, bandwidth and connectivity limitations and a lack of a robust and coherent IT architecture across the FOs were noted to impact the implementation of effective beneficiary management systems. This issue has been reflected in observation 3.
G: Cross-cutting
A PSEA strategy and plan were under development at the time of the audit. In addition, the CO was taking part in the UN country team's efforts to implement community-based complaint mechanisms and additional paths of communication and empowerment to beneficiaries. Improvements to monitoring are needed to close gaps in the detection of potential PSEA risks, as reflected under observation 4.

37. The nine observations of this audit are presented in detail below.

38. Management has agreed to take measures to address the reported observations[5]. An overview of the actions to be tracked by internal audit for implementation, their due dates and their categorization by WFP's risk and control frameworks can be found in Annex A.

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

A: Governance and structure

The audit performed tests and reviews of the CO's organizational structure including mechanisms for decision making, delegations of authority, segregation of duties, and management and supervision of field operations. Given the high inherent risk of fraud and corruption in the country, the audit examined the implementation of fraud and corruption policies, harassment and sexual harassment and abuse of power policies, and systems of internal oversight. The preliminary audit risk assessment deemed enterprise risk management processes to be robust; this assessment was corroborated by the results and conclusions of the audit and a strong alignment of audit observations with the CO's risk register.

The CO is in the first year of implementation of the ICSP and is transitioning to the IRM model, driving substantial organizational changes from process and people perspectives, including a reassessment of its organizational structure and a refocus on operational efficiency. The dual structure, running the EMOP/PRRO and ICSP in parallel, is providing opportunities and adaptation challenges requiring continuous change management, together with the adoption of a stronger advocacy, accountability and performance culture. The CO's management is accompanying the change processes with positive messages to staff and key stakeholders.

To deal with pervasive risks of fraud and corruption present in the operating environment, the CO has significantly strengthened its internal oversight and risk management capabilities, engaging the support of WFP's Ethics Office, Ombudsman and Office of the Inspector General (OIG). The CO is piloting new enterprise risk management practices including WFP's new risk taxonomy and tools and has developed fraud risk and control assessments along with a robust oversight strategy. Moreover, the CO has made significant advancements in the use of performance tools, effectively aligning annual performance plans, unit strategies and individual performance plans.

Observation 1	Agreed Actions [Medium priority]
Organizational structure and workforce planning	To ensure organizational readiness for the full shift to ICSP in 2019, the CO, with the support of planned HQ HR missions, will:
Operating with an EMOP and PRRO in 2017 and an EMOP, PRRO and ICSP (a dual structure) in 2018, the CO is yet to fully perform the IRM transition. The audit observed that some adjustments to the organizational set-up and design in the CO, and staffing increases for emergency scale-up, took place prior to a comprehensive skills-gap analysis, or to a staffing review exercise informed by the ICSP's objectives, and did not consider IRM organizational readiness considerations. This approach negatively impacted the sequencing of implementation steps and related communications, including presentation of staff costs in the ICSP budget.	(i) Finalize workforce planning, skills gap analyses and the new organigram considering funding levels and the opportunity to identify core positions for different operating scenarios and to offer more stable contracts, and ensure proper communication of changes; and
Skills-gap and inadequate contract types **-** Whilst the CO had started to convert Special Service Agreements (SSAs) to Service Contract (SC) positions, there was a disproportionate reliance on short-term contracts, and staffing constraints were observed to impact programme delivery. Despite noting RBN and HQ transactional support, the audit found that the CO was implementing an organizational structure change with a "learning by doing" approach. This lacked corporate guidance for establishing a reporting line structure to support the line of sight outlined in the ICSP.	(ii) As part of finalization of workforce planning, ensure a process-level review is undertaken to avoid duplicate efforts, to ensure adequate segregation/oversight, and to clarify reporting lines.
The organigram structure, reporting lines and budget/result accountabilities for ICSP delivery were pending final definition at the time of the audit; in the absence of such definition the CO had started addressing identified capacity constraints (including skills gaps, frequent absences and turnover) especially in FOs. Recruitments were ongoing to substantially augment staffing at FOs, to correct contract types in key positions and to align the manpower to caseload and operational requirements, as well as through coordination and support from Juba (including the establishment of a field coordination unit).	
Taking account of budgetary constraints and of potential changes to operating and funding scenarios, structural corrections as outlined above were limited to FO locations, resulting in the shortening of some short-term	

contracts, increasing transactional volumes and further stretching the human resources (HR) function. (Refer also to the section on resource management).

Adjustments to organizational structure in light of decentralized set-up and capacity constraints - Several audit observations in this report indicate that, especially in the short-term and in light of organizational stretch and change impact, insufficient attention was paid to:

- Streamlining processes (avoiding delays and duplication of efforts);

- Enhancing information sharing to clarify accountabilities and budget/result ownership; and

- Ensuring that decentralized tasks were accompanied with commensurate oversight.

The effective delivery of a decentralized set-up, where planning, delivery, and monitoring functions are split between CO and FOs, has not been fully enabled by adequate use of independent reviews of monitoring and evaluation (M&E) and other oversight/feedback mechanisms. (Refer also to the delivery and partnership sections).

Underlying causes: Fragility and volatility of the operating context. ICSP design without a Zero Hunger Strategic Review and stakeholder consultations creating ambiguity over when, if and how to adjust workforce skillsets and contract types, especially for a recognised need to improve programme implementation quality. Delays in corporate guidance on how to operationalize the line of sight and for contractual reform. Most recent staff structure review not aligned to ICSP and current operational requirements, and not appropriately handed over to incoming management for forward-looking actions.

B: Delivery

The audit performed tests and reviews of programme management focusing on relief activities and, in accordance with the preliminary risk assessment and audit engagement plan, did not perform work on special operations or cash- based transfer modalities; these were reviewed in 2016 and 2017 through other audit and advisory work. Tests and procedures were performed focusing on the identification of needs, selection of distribution modalities, beneficiary targeting, and registration and prioritization. Processes for in-country monitoring were also covered with emphasis on monitoring coverage, complaints and feedback mechanisms, and integration of PSEA policy objectives.

Following the July 2016 escalation of conflict in South Sudan, leading to the looting of WFP facilities and evacuation of staff, the CO has strengthened its risk mitigation measures against possible future incidents by completing assessments and response plans of all its warehouse facilities, as well as by updating and improving its Business Continuity (BCP) and Disaster Recovery Plans (DRP). These actions are also designed to ensure the continuity of WFP operations should contingent scenarios arise.

The geographical, security and logistical contexts in which the CO operates make reaching beneficiaries inherently difficult, requiring strong internal control and governance mechanisms to meet the challenges of the operating environment. Issues were noted in targeting, registration and verification activities, contributing to the sale of commodities by beneficiaries. To improve controls over beneficiary management the CO is scaling up biometric registration, which in some cases has resulted in significant reductions of the beneficiary caseload. WFP is also working to operationalize information sharing agreements with other UN agencies, with the aim of accelerating the registration of beneficiaries.

The CO has invested in enhancing monitoring processes and has developed a comprehensive monitoring strategy, streamlining the monitoring planning process to coincide with distribution planning and to allow the incorporation of suggested adjustments from FOs. This resulted in improved monitoring coverage, from 20 percent in 2016 to 49 percent in 2017. The CO engaged 23 roving field monitors to support FOs as well as a data analyst to aggregate and analyse data, resulting in information quality improvements. A cross-functional monitoring working group was formed and serves as a forum to discuss monitoring issues and agree on resolution actions.

Observation 2	**Agreed Actions** [High priority]
Humanitarian commodities in the market	The CO will:
The audit, external assessments and the CO's own internal reviews have all identified that food assistance commodities are being sold in various locations in the country including Juba, Bor, Bentiu, Wau and Aweil. Whilst the CO recognizes that market leakages warrant special attention and has already conducted several special inquiries into the matter during the audit period, it cannot at this point ascertain with a reasonable degree of confidence the magnitude of leakages, locations, sources of commodities, and the potential for losses and/or diversion of these commodities within and outside South Sudan.	(i) Adapt monitoring and evaluation processes and tools to systematically capture and analyse food aid commodities entering the market and address root causes;
The information gathered to date by the CO indicates that the majority of the losses may be attributed to post-distribution sales by beneficiaries; however, the root causes and pervasiveness of commodity sales in the country cannot be ascertained.	(ii) Continue its roll out of SCOPE where possible, while stepping up targeting and verification in line with the CO's SCOPE scale up strategy, and identifying a risk appetite threshold for the CO in consultation with RBN and HQ;
In addition, whilst the CO has identified the effects that the sale of food aid commodities may be having on local markets, other potential externalities are yet to be robustly assessed.	(iii) Identify and action opportunities to leverage CP's existing monitoring and beneficiary management systems to complement WFP's efforts; and
The frequency and level of detail and analysis of reporting regarding the sale of commodities was noted to be insufficient to meet donor information requirements, reportedly hindering their ability to advocate against and mitigate adverse perceptions in relation to WFP's programmes. The audit noted that the CO plans to address these concerns by increasing and improving its reporting regarding the sale of commodities.	(iv) In consultation with donors, adapt communications to meet their information requirements.

Underlying causes: Monitoring and evaluation systems have not been adapted to capture information and systematically detect and address the root causes behind the sale of commodities, their potential impact and associated externalities. Beneficiary targeting, registration, and verification weaknesses. Beneficiary priorities and lack of non-food item assistance by other partners. Communication to donors not fully adapted to meet their information requirements, enhance their awareness of the inherent risks of different response strategies, and provide clarity on the specific actions taken by WFP to address the sale of commodities.

Observation 3	Agreed Actions [High priority]

Beneficiary management and data sharing

Beneficiary information management – Registration and positive verification of beneficiaries in South Sudan lack robust and secure systems to de-duplicate and positively verify beneficiaries, and to guarantee internal controls are present and operating effectively over beneficiary management processes and data. To implement strong internal controls over beneficiary management the CO is scaling up the use of WFP's beneficiary information management system (SCOPE), using biometric registration. The CO plans to register up to 3 million beneficiaries in SCOPE by the end 2019, with estimated potential cost efficiency gains of up to USD 130 million per year.

The audit noted that SCOPE implementation in South Sudan is facing technical and data quality issues which are affecting registration and distribution activities, including issues with the configuration of SCOPE devices, real-time de-duplication, quality of biometric data, entitlements calculation errors, and transaction processing issues. In addition, the scale up and use of SCOPE may be at risk due to IT infrastructure limitations, as well as lack of staff and agreements with authorities to gather, store and use beneficiaries' biometric data.

Back-up processes and tools for managing registration and distribution activities offline/off-SCOPE were not in place at the time of the audit, resulting in the cancellation and delay of some activities and in process inefficiencies. A data protection focal point has not yet been appointed, nor have privacy impact assessments been carried out for SCOPE and off-SCOPE systems to gain assurance that beneficiary data is safeguarded and used appropriately.

The audit acknowledges that, for certain programmes in South Sudan and under certain conditions and contexts, beneficiary registrations may not be needed or be considered appropriate.

Data sharing agreements and efficiencies - The CO has been engaged in discussions regarding data sharing with other relevant UN agencies for over 18 months, culminating in the signature of a Memorandum of Understanding for beneficiary data sharing. However, the benefits of this agreement have not been fully realized due to data quality issues and lack of inter-operability between WFP's and other systems. There is a risk of duplication of effort and investments in the collection of beneficiary data by the two agencies.

Underlying causes: Absence of an enhanced and dedicated in-country SCOPE service delivery capacity. IT architecture and infrastructure challenges. Varying beneficiary management objectives and requirements leading to inter-agency interoperability issues across systems. Lack of defined requirements for testing the data collected by other agencies before utilizing it for programmatic activities.

The CO, in coordination and with the support of RBN and HQ, will:

(i) Develop a plan and targets to secure financial and staff resources to carry out the scale up of SCOPE as foreseen by the CO;

(ii) Coordinate with the IT Beneficiary Service Branch (RMTB) for the prompt resolution of SCOPE technical issues, appoint dedicated resources for service delivery support in South Sudan, and address data architecture issues that are impacting SCOPE;

(iii) Address infrastructure and connectivity issues at FO level;

(iv) Appoint a data protection focal point and carry out privacy impact assessments;

(v) In collaboration with the RB and HQ develop data interphases and inter-operability protocols at the national level; and

(vi) Define processes and carry out quality tests on data collected by third parties prior to integration into SCOPE.

Observation 4	Agreed Actions [Medium priority]
Monitoring and complaints and feedback mechanisms	The CO will:

Monitoring – Monitoring staffing levels and technical capacity were insufficient to effectively cover all required monitoring duties in the CO. Monitoring in FOs was mainly served by "focal points" who were also performing other duties; at the CO level challenges were noted with the management and consolidation of back to office reports (BTORs). These factors led to several issues including:

- *Information flows* – some high and medium risks identified by FOs in the BTORs were not reflected in the CO's consolidated BTORs, nor in monthly monitoring bulletins;

- *Categorization, prioritization and handling of BTORs* – the lack of a formal and consistent process for categorizing M&E findings as high, medium and low risk led to inconsistencies in their prioritization and treatment in the BTORs. The format and level of detail of BTORs and supporting notes for the record was diverse and there was no repository or supporting systems.

- *Resolution tracking* – a systematic process was lacking for tracking and following up on the resolution of issues arising from monitoring activities.

PSEA monitoring - At the time of the audit the CO was finalizing a PSEA strategy and action plan, including a tailored approach for monitoring for PSEA risk. Field monitors informed the protection unit of any information that may be associated with protection risks. However, monitoring processes had not been adapted to examine PSEA from a technical perspective, which may lead to gaps in the detection of potential protection risks.

Complaints and Feedback Mechanisms (CFM) - The low numbers and types of complaints registered in the CO's CFM database pointed to limited awareness and understanding of the mechanisms for registering complaints and feedback by beneficiaries and cooperating partners (CPs). The audit noted data structure and quality issues (categorization, prioritization, gaps and inconsistencies) and a backlog of entries to be entered and uploaded into the CFM database. In addition, the processes for closing complaints did not guarantee that issues had been satisfactorily addressed by the responsible party. There was a risk of loss of valuable programme delivery and CP performance data, as well as of information potentially indicative of fraud, corruption and abuse of power.

Underlying causes: Low capacity and training of M&E staff in the FOs and complaints desk at the CO. Review, quality checks and information consolidation processes for the BTORs not streamlined. Lack of criteria for categorizing, ranking and classifying of M&E observations and beneficiary complaints in the CFM. Lack of effective tools to systematically track issues identified during monitoring and through CFM, and to refer and address these for action. Constraints in processing data into useful information due to volume and structure of narrative reports and data coming from monitoring and through CFM.

Agreed Actions:

(i) Complete the recruitment and training of qualified M&E and complaints desk staff, to enhance reporting, analysis and follow up of issues detected;

(ii) Streamline the process for obtaining and consolidating the BTORs and introduce a quality check procedure, to ensure a review process is in place;

(iii) Develop, improve and apply the prioritization and categorization criteria for monitoring and CFM observations;

(iv) Develop and revamp the systems for tracking, feedback and follow-up for monitoring and CFM observations;

(v) Develop a technical approach to monitoring PSEA that utilizes specialist techniques and dedicated resources; and

(vi) Implement actions to increase beneficiaries' awareness of CFM.

Resource management

The CO's programmatic objectives (effective and efficient relief activities while increasing resilience mechanisms), operating environment, as well as targeted strategies to fit various operational constraints, call for an agile and informed decision-making processes that is close to the implementation of the programme. In this context, the audit reviewed reporting and information sharing processes for effective resource management, considering the introduction of the IRM concept of 'line of sight'. The audit noted that the CO was piloting reporting tools and governance mechanisms to manage the dual structure of parallel EMOP/PRRO and ICSP projects, and performed audit procedures on budget and pipeline management processes, as well as prioritization based on the country operational management plan.

Audit tests were conducted focusing on treasury management processes designed to address financial risks inherent in the operating environment. The audit also reviewed HR administration processes in the context of the transactional support to over 1,000 employees in the country (1 of every 16 employees in WFP). Moreover, given the hardship conditions in South Sudan and difficulties in attracting applicants for CO positions, the audit paid special attention to staff wellness and talent acquisition and retention strategies, noting positively that the CO has paid significant attention and devoted resources to the implementation of its staff wellness strategy. In addition, the CO is rolling out an HR gender strategy.

Regarding the management of property and equipment, the audit followed up on the recommendations and lessons learned coming from the July 2016 looting incidents, which were found to be generally implemented. Other travel and administration matters were not deemed materially significant and no specific audit procedures were performed in these areas.

The audit did not perform procedures on resource mobilization processes given the positive funding trajectory and six-month funding outlook of the CO, as well as positive feedback from donors, and also from the United Nations Country Team (UNCT) on WFP's efforts to advocate for the humanitarian response plan.

Observation 5	Agreed Actions [Medium priority]
Monitoring and tracking budget consumption by FOs and spending units	(1) The IRM Operations Team (IRMO), in consultation with the Budget and Programming Division (RMB), will:
During the interim dual structure period: Although an interim set-up for budgetary authorities under the "dual structure" and a mapping process were in place to link the PRRO and EMOP to the ICSP, these processes required onerous and error-prone manual reconciliations (refer to observation 9 on NGO partnerships).	(i) Provide necessary advice to the CO in preparation for the full transition to the ICSP;
Beyond the "dual structure" period: For activities under the ICSP, monitoring and tracking of budget allocation and utilization by FOs and spending units, the entities responsible for programme implementation and accountable for achieving value for money during programme delivery, the CO has not yet been able to establish monitoring mechanisms to ensure that the IRM's line of sight accountability objectives are achieved in a structured way.	(ii) Refine corporate guidance that will clarify the degree of budgetary responsibility of spending units and FOs; and
<u>Underlying causes:</u> Delayed set-up of fund centres to track budgets allocations and expenditures at the FO and spending unit levels. Internal order control functionalities are no longer available under the new ICSP/Country Portfolio Budget (CPB). Insufficient guidance and training for monitoring and reporting considerations were known at the time of CPB and CSP activity formulation.	(iii) Identify WINGS-based reports to facilitate the oversight of resource management at the FO/spending unit level.
	(2) The CO will increase training and oversight to FOs on the dual structure manual reconciliations, identifying skill-gaps, and in view of the determinations made under action point (ii) above.

Observation 6	Agreed Actions [Medium priority]
Human resources administration	The CO will:

Human resources administration

The audit noted that the CO, whilst having reminded staff of ethical standards and corporate policies, placed a heavy reliance on self-reporting by employees in tracking attendance and time away from duty stations, which formed the basis for calculating salary and entitlements payments. It was noted that these self-reporting mechanisms were not sufficiently reliable to guarantee the accuracy, completeness and veracity of attendance data, leading to potential misrepresentation going undetected.

In addition, key managerial obligations and responsibilities of the Heads of Units and FOs were not sufficiently monitored and enforced including:

- Checking completion and reporting of mandatory training by staff;
- Leave planning and balance monitoring; and
- Submission of learning plans, noted to be late or incomplete.

Scarce HR resources limited the CO from engaging in analysis, oversight and strategic review activities, due to the high transactional demand required to support over 1,000 employees in South Sudan, as well as the complexity of recording and tracking employee transactions in multiple systems.

Data and process integrity issues, as well as a lack and non-use of reliable and readily available data, negatively impacted the CO's efforts to establish a performance culture and to reduce the risk of entitlement fraud.

Underlying causes: Complex support system landscape (PASport, WINGS, ATLAS) resulting in reliance on manual (Excel) tracking sheets, which did not facilitate effective systems of internal control, accounting for staff costs (under new IRM financial framework) and payroll processing. The ratio of HR staff to employees in South Sudan does not enable effective monitoring of staff entitlements and value adding strategic work, including effective workforce planning and talent acquisition and retention.

The CO will:

(i) In consultation with the Human Resources Division (HRM), analyse and determine the appropriate level of HR staff capacity required to meet HR administrative, planning and oversight demands and strengthen staffing levels accordingly;

(ii) Implement a reliable system for capturing attendance that guarantees the integrity of attendance tracking and recording; and

(iii) Implement internal controls, where possible automation of monitoring processes, to ensure managers in the CO fulfil their obligations in monitoring and managing staff training requirements, leave balances and planning, as well as learning plans.

Support functions

The audit performed tests and reviews on the CO's supply chain, focusing on operational effectiveness, efficiency and economy, including supply chain planning, and decision-making on the selection of transport modalities. The audit also performed tests on the effective management of landside transport services, including selection and contracting for transport services, allocation of cargo, and performance management processes. Air operations were undergoing a concurrent review by the WFP Aviation Service Unit at the time of the audit, thus the audit did not examine air services operated by UNHAS or the operations and contracts of air assets engaged to airlift and airdrop commodities.

In 2017, WFP airlifted and airdropped close to 82,000 MT of life-saving food assistance to populations in areas that were physically inaccessible and insecure, prioritizing assistance to critically food insecure (IPC4) and emergency (IPC5) areas. The total costs of these air deliveries was approximately USD 145 million, with costs averaging USD 2,950 per MT, or approximately six to eight times the equivalent inland delivery costs. With the arrival of the new management team in 2017, the CO has turned its attention to attaining greater delivery efficiencies by reducing the number and frequency of food airdrops and airlifts and opening new supply chain corridors during the audit period. The CO is exploring a number of options to further minimize these costs going forward and estimates potential savings in excess of USD 96.5 million per year, or 16 percent of the total 2018 implementation requirements for SO1 (food security).

The prepositioning of food commodities in South Sudan is a key activity aimed at ensuring that stocks are in place and near to beneficiaries for distribution ahead of the rainy season, when 70 percent of roads in the country become unpassable (May to September, in some cases longer), and to minimize the potential use of expensive food airdrops and airlifts. The CO has been scaling up the stocks it prepositions, increasing these by 18 percent from 114,000 MT in 2017 to 140,000 MT in 2018, the highest ever figure since the start of relief activities in the country. However, due to the ongoing and rapidly deteriorating conflict and decline of the economy, the food security in Upper Nile, Jonglei and Unity states has worsened, requiring the continued use of air operations to deliver assistance. The audit examined the timeliness, effectiveness and monitoring of the prepositioning exercise.

Observation 7	Agreed Actions [High priority]
Supply chain planning and cost efficiencies *Basis for logistics delivery modality decision making* – Audit reviews and discussions with relevant units in the CO highlighted that processes for assessing needs, accessibility and options for logistics delivery modalities (land, river or air) were taking place on an ongoing basis, but without a framework for the systematic and documented consolidation of inputs from various units. In view of the inaccessibility of some locations, WFP started airdrops and airlifts in 2013. These are continuing in 2018 at an average cost of USD 2,950 per MT, approximately six to eight times the cost of land transport. The audit recognizes that decisions for airdrops and airlifts, and periodic reconsiderations, take into account a very fluid situation, involving access to locations as well as advance funding available for prepositioning which would allow for less airdrops or airlifts in specific instances. The audit noted that the CO was already scaling up the prepositioning of commodities, had decommissioned one aircraft in 2017, and was examining river delivery options to further reduce costs. The audit also noted that the number of airdrop locations had been reduced by nearly 10 percent in the period from 2015 to 2017. However, for a sample of 2017 airdrop and airlift locations, the audit identified that 3 out of 10 were made in areas that were accessible at the time of transportation (Ayod, Koch, and Awiel North), and overall could not conclude that decisions on logistics delivery modalities (including security, physical access and protection perspectives) had for the majority of the sample followed a rigorous, defined and documented process to enable and demonstrate consideration of all cost options and of all financial and non-financial risks.	The CO will: (i) Establish a rigorous, defined and documented process for logistics delivery decision making, building upon the results and approaches of the recent joint missions and establishing roles and responsibilities; and (ii) Develop a strategy and plan for the implementation of the South Sudan Efficiencies Analysis report recommendations, defining the priorities, investment cases and resource mobilization strategies needed to support the proposed initiatives, as well as timelines for implementation.

Moreover, whilst access logistical analyses were carried out at a macro-level (corridor and trunk roads), micro-level assessments (county and location cluster tertiary roads and barge access points) had only recently been planned, with one having taken place in Adok covering 10 airdrop sites in 3 counties.

Mitigation strategies – As the CO plans to airdrop and airlift up to 77,000 MT of food in 2018 at an estimated cost of USD 227 million, it is exploring solutions to lower the cost of these airdrops and airlifts, including scaling-up the prepositioning of commodities, road repairs, opening new corridors and delivery options, as well as other innovations. Whilst these initiatives identify potential cost savings of up to USD 96.5 million per year, some are at the concept and planning stages without assessments of feasibility or implementation timelines for 2018 to 2019.

Underlying causes: The fluid nature of the operating context means assessments and assumptions on accessibility have a short lifespan, requiring robust knowledge management capacities and frequent reassessments. Information gaps and disjointed assessments do not allow for the systematic identification of supply chain delivery cost saving opportunities. River delivery options are new and require the collection of detailed river network information to enable large scale assistance. Mitigation strategies proposed by supply chain in the Logistics Efficiencies Analysis Report, dated April 2018, have not been examined for risk and feasibility to allow for their effective and prompt implementation.

Observation 8	Agreed Actions [Medium priority]

Prepositioning of commodities

Delayed start of prepositioning – Prepositioning of commodities for 2018 started in the middle of March, two and a half months behind the ideal start date of January. As of 24 April 2018, the CO was late in dispatching stocks for prepositioning to two out of every three warehouses, and there were acute delays for certain states, sites and commodities. With less than a month before the onset of rains, nearly 80,000 MT of food commodities had been dispatched to prepositioning sites, representing 56 percent of the plan. These factors put at risk the timely completion of nearly half of the 2018 prepositioning plan and the effective and efficient delivery of the programme during the rainy season.

Monitoring against plan and continued effectiveness – There were gaps and inconsistencies in the data needed to monitor the prepositioning of commodities, including programme and logistic prioritization information, warehouse location descriptions, transport lead times, and expected dates of arrival of commodities. These data had not been incorporated or were incomplete in the prepositioning tracking tool. This puts at risk the CO's ability to monitor the completion of the prepositioning plan with enough granularity to detect and address risks at particular locations, and to ensure continuity of monitoring processes when staff change.

CP coordination - There were short lead times and gaps in advising CPs regarding the arrival of stocks for pre-positioning, impacting their ability to ready facilities and manpower to receive food stocks.

Upstream pipeline - Operational planning tools, including the upstream pipeline monitoring tools, currently do not inform or aid in the coordination of decision-making due to several limitations. These include discrepancies in the closing and opening balances of commodities and resources reported to be available from one period to the next, and lack of specificity in the food pipeline analysis by location and activity. The upstream pipeline tool is essential

The CO will:

(i) Move forward the start of the prepositioning exercise, and activation of related funding mechanisms, to the beginning of quarter four of the year prior to implementation, to maximise the chances of finalizing the prepositioning exercise to final destinations by the end of the first quarter of the implementation year;

(ii) Improve and enhance prepositioning monitoring tools and processes;

(iii) Improve communication and coordination with CPs regarding pre-positioning; and

(iv) Redesign the upstream pipeline tool to ensure enough detail for effective operational planning.

in allowing visibility of available resources and implementation plans to identify potential resource gaps and breaks in the supply chain.

<u>Underlying causes:</u> Late start in prepositioning of commodities (second quarter of 2018) due to timing of the exercise planned to coincide with the 2018 operational plan. Lack of coordination between logistics and partnerships to enable timely communication with CPs regarding the prepositioning of commodities. The pipeline tool has not been adapted to track commodities and resources due to the dual structure for project management, running the EMOP/PRRO projects contiguously with the ICSP.

External relations, partnerships and advocacy

While the operating context in 2017 was not conducive to a strategic review of government priorities to achieve SDG 2, the CO's Partnership Action Plan acknowledges that systematic and strategic engagement with partners is fundamental for the success of the ICSP. The CO's strategy has set ambitious goals to "*capitalize on the overall momentum created with the reforms of the UN development system [including a] stronger emphasis on prevention of conflict and crisis through working across mandates and across different parts of the UN system, and a stronger emphasis on operational effectiveness and efficiency*". In this context the audit examined the process and structures for managing partnerships, including due diligence processes during the selection and vetting of partners, as well as the adequate integration of protection, gender and anti-fraud measures. The audit assessment built on management's own review of field level agreements (FLAs) performed by the risk and compliance officer.

The audit noted progress in the implementation of actions identified by management including planning, reporting and invoice payment to partners, with the latter being confirmed by CPs as a significant area of improvement. The audit also noted that the CO actively provides training and strategically engages partners in consultations.

During the audit period the CO invested in its capacity to manage partnerships strategically, including staffing full time positions for donor relations and communications. The audit also noted that WFP's new branding featured prominently on premises and publications, and for certain programmatic areas (for example, nutrition) a strong collaboration and coordination was present at the inter-agency level. Interviews with the Deputy Special Representative, Resident Coordinator and Humanitarian Coordinator confirmed WFP's active engagement in the UN humanitarian and country team (HCT and UNCT). It was noted that WFP plays a prominent role in the 2018 Humanitarian Action Plan, representing 48 percent of the needs for the year.

Observation 9	**Agreed Actions** [Medium priority]
NGO partnerships Despite enhancements during 2017 to operational planning (stronger involvement of FOs and more strategic partnering choices), more attention to comparable and coherent performance assessments, and a clean-up exercise to address a backlog of outstanding payments, the audit noted the following weaknesses in partnerships management: *Roles and responsibilities* – There was a concentration of tasks and decision-making at FO-level without adequate capacity. There was insufficient consideration of the capacity constraints at the FO-level, prior to and when implementing the early roll-out of the new IRM FLA template, resulting in an unclear allocation of roles and tasks and duplication of efforts between the CO and the FOs. *Performance assessments and selection* - There was limited competition during the 2018 FLAs awarding process. Existing partnerships were continued without sufficient screening of the evolving partnership landscape. In addition, partner performance assessments carried out at the FO-level, and aggregated at the CO-level, lacked corroborating analysis to provide a sufficient basis for decision-making on partner selection, in part due to: • Insufficient validation of performance data against independent sources including M&E and CFM information, or incorporation of readily available inter-agency information and alerts; • Lack of integration and utilization of capacity assessments available, or under development, including supply chain (CP warehouses), finance (Harmonized Approach to Cash Transfer (HACT) assessments planned), and protection (PSEA baseline survey planned); and • Insufficient consideration of partner contributions and of complementary partner activities.	The CO will: (i) Following the 2018 NGO partnership guidelines, redefine and clarify the roles and responsibilities throughout the partnership management cycle of the CO and FOs by: a. Reviewing the tasks and controls in partnership landscape screening, partnership selection and FLA negotiations; b. Reviewing processes and enhancing decision-making by reducing ex-post reviews and increasing ex-ante controls; and c. Improving oversight mechanisms to ensure continuous performance monitoring and utilization of independent sourced information including PSEA surveys currently under completion, as well as other internal and external capacity and performance assessments. (ii) Establish a centrally administered database of current and potential partners ensuring its availability, accessibility, frequent update and integration of performance information, including information and red flags from other sources, including UN sources.

FLA management - Protracted negotiations due to the introduction of a new FLA budget template and budgeting system resulted in some agreements not being finalized, five months past the proposal submission deadline, and three months after the FLAs expired in January 2018, requiring the use of letters of extension in the interim.

Change management - Unclear communications regarding interim arrangements together with IRM-induced changes triggered last minute change management processes. Partners consulted during the audit reported disruptions and delays, including disruption in contracting staff. Delays were also noted in the delivery of guidance and training to CPs.

Communications and contracting - The current set-up resulted in uncoordinated communication flows between the CO and its CPs. Partners operating in different locations in South Sudan had multiple WFP contacts and thus received varying information and instructions. In addition, the internal allocation of tasks resulted in delays and duplication of efforts when awarding contracts to CPs and when reviewing related budget proposals.

Underlying causes: 'Letters of extension' to extend expired FLAs were not necessarily understood by all partners as 'pre-authorizations' for 2018 activities. The dual structure and IRM-related changes were implemented without the support of adequate tools and guidance, resulting in divergent instructions to CPs, and insufficient advance communication and consideration of change management implications. Non-adherence to most recent FLA corporate guidance recommending the separation of expression of interest and request for proposal processes. Lack of corporate guidance on use of or alignment with other UN due diligence processes. Existing partnership management capacity constraints that the CO had started addressing.

Annex A – Summary of observations

The following tables 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.

High priority observations	Categories for aggregation and analysis			Owner	Due date
	WFP's Internal Control Framework	WFP's Enterprise Risk Management Framework	WFP's Internal Audit Universe		
2 Humanitarian commodities in the market	Monitoring Activities	Contextual	Emergencies & transitions	CO	31 December 2019
3 Beneficiary management and data sharing	Control Activities	Programme	Beneficiary management	CO	31 December 2019
7 Supply chain planning and cost efficiencies	Control Activities	Business process	Overseas & landside transport	CO	31 December 2018

Medium priority observations	Categories for aggregation and analysis			Owner	Due date
	WFP's Internal Control Framework	WFP's Enterprise Risk Management Framework	WFP's Internal Audit Universe		
1 Organizational structure and workforce planning	Control Enviroment	Governance and oversight	Governance	CO	30 June 2019
4 Monitoring and complaints and feedback mechanisms	Monitoring Activities	Business process	Monitoring & evaluation	CO	30 June 2019
5 Monitoring and tracking budget consumption by FOs and spending units	Control Activities	Business process	Budget management	IRMO	31 December 2018
				CO	30 June 2019

Medium priority observations	Categories for aggregation and analysis			Owner	Due date
	WFP's Internal Control Framework	WFP's Enterprise Risk Management Framework	WFP's Internal Audit Universe		
6 Human resources administration	Control Activities	Business process	Human resources management	CO	31 July 2019
8 Prepositioning of commodities	Control Activities	Business process	Commodity management	CO	31 December 2018
9 NGO partnerships	Control Enviroment	Partners and vendors	NGO partnerships	CO	31 December 2018

Annex B – Definitions of audit terms: ratings & priority

1   Rating system

1.   The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below:

Table B.1: Rating system

Rating	Definition
Effective / Satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well to provide reasonable assurance that issues identified by the audit were unlikely to 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 objectives of the audited entity/area should be achieved.
	Issue(s) identified by the audit were unlikely to 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   Categorization of audit observations and priority of agreed actions

2.1   Priority

2.   Audit observations are categorized according to the priority of the agreed actions, which serves as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Table B.2: Priority of agreed actions

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity/area.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.

Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

3.   Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

4.   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.[6]

5.   To facilitate analysis and aggregation, observations are mapped to different categories:

2.2   Categorization by WFP's Internal Control Framework (ICF)

6.   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. 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."[7] WFP recognises five interrelated components (ICF components) of internal control, all of which need to be in place and integrated for them to be effective across the above three areas of internal control objectives.

Table B.3: Interrelated Components of Internal Control recognized by WFP

1	Control Environment	The 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 the systems' performance over time and to ensure that internal control continues to operate effectively.

2.3   Categorization by WFP's Enterprise Risk Management Framework (ERM)

7.   WFP is further developing its ERM tools and is in the process of introducing a new risk taxonomy to facilitate aggregation and analysis of risk information. The new taxonomy is piloted in a selection of country offices during 2018 to test for the roll-out of a database/system foreseen in 2019. As a means to facilitate the testing and roll-out, audit observations are mapped to the new risk taxonomy.

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[6] 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.
[7] OED 2015/016 para.7

Table B.4: WFP's new Risk Taxonomy recognizes 4 risk categories and 15 types of risk

1	Strategic	1.1 Programme risks, 1.2 External Relationship risks, 1.3 Contextual risks, 1.4 Failure to innovate/adjust business model
2	Operational	2.1 Beneficiary health, safety & security risks, 2.2 Staff health, safety & security risks, 2.3 Partner & vendor risks, 2.4 Asset risks, 2.5 ICT failure/disruption/attack, 2.6 Business process risks, 2.7 Governance & oversight breakdown
3	Fiduciary	3.1 Breach of obligations, 3.2 Fraud & corruption
4	Financial	4.1 Adverse price/cost change, 4.2 Adverse asset outcome

2.4   Categorization by WFP's Audit Universe

8.   WFP's audit universe[8] covers organizational entities and processes. Mapping audit observations to themes and process areas of WFP's audit universe helps prioritize thematic audits.

Table B.5: WFP's 2018 Audit Universe (themes & process areas)

1	Governance	Change, reform and innovation; Governance; Integrity and ethics; Legal support and advice; Management oversight; Performance management; Risk management; Strategic management and objective setting.
2	Programme	(Agricultural) Market support; Analysis, assessment and monitoring activities; Asset creation & livelihood support; Climate and disaster risk reduction; Emergencies and transitions; Emergency preparedness and support response; Malnutrition prevention; Nutrition treatment; School meals; Service provision and platform activities; Social protection and safety nets; South-south and triangular cooperation; Technical assistance & country capacity strengthening services.
3	Resource Management	Asset management; Budget management; Contributions and donor funding management; Facilities management and services; Financial management; Fundraising strategy; Human resources management; Payroll management; Protocol management; Resources allocation and financing; Staff wellness; Travel management; Treasury management.
4	Operations	Beneficiary management; CBT; Commodity management; Common services; Constructions; Food quality and standards management; Insurance; Operational risk; Overseas and landside transport; Procurement – Food; Procurement - Goods and services; Security and continuation of operations; Shipping - sea transport; Warehouse management.
5	External Relations, Partnerships & Advocacy	Board and external relations management; Cluster management; Communications & advocacy; Host government relations; Inter-agency coordination; Non-Governmental Organization (NGO) partnerships; Private sector (donor) relations; Public sector (donor) relations.
6	ICT	Information technology governance and strategic planning; IT Enterprise Architecture; Selection/development and implementation of IT projects; Cybersecurity; Security administration/controls over core application systems; Network and communication infrastructures; Non-expendable ICT assets; IT support services; IT disaster recovery; Support for Business Continuity Management.
7	Cross-cutting	Activity/project management; Knowledge and information management; M&E framework; Gender; Protection; Environmental management.

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[8] A separate universe exists for information technology with 60 entities, processes and applications.

5. 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

APP	Annual Performance Plan
BTOR	Back-to-office reports
BCP	Business Continuity Plan
CFM	Complaints and Feedback Mechanism
CO	Country office
CP	Cooperating partner
DRP	Disaster Recovery Plan
EMOP	Emergency Operation
FLA	Field Level Agreement
FO	Field office
HACT	Harmonized Approach to Cash Transfers
HR	Human Resources
HRP	Humanitarian Response Plan
ICSP	Interim Country Strategic Plan
IOM	International Organization for Migration
IRM	Integrated Road Map
IRMO	Integrated Road Map Operations Team
KPI	Key Performance Indicator
M&E	Monitoring and evaluation
NGO	Non-Governmental Organizations
OIG	Office of Inspector General
PRRO	Protracted Relief and Recovery Operation
PSEA	Protection against Sexual Exploitation and Abuse
RMB	Budget and Programming Division
RR	Country Office Risk Register
SC	Service Contract
SSA	Special Service Agreement
SO	Strategic outcome
UNCT	United Nations Country Team
UNHAS	United Nations Humanitarian Air Service
USD	United States Dollar
WFP	World Food Programme