

SAVING  
LIVES  
CHANGING  
LIVES

# Internal Audit of Asset Management in WFP

Office of the Inspector General  
Internal Audit Report AR/18/12



World Food  
Programme

November 2018

## Contents

---

	Page
I. Executive Summary	3
II. Context and Scope	6
III. Results of the Audit	8
Annex A – Summary of observations	23
Annex B – Definitions of audit terms: ratings & priority	25
Annex C – Acronyms	28

# Internal Audit of Asset Management in WFP

## I. Executive Summary

### Introduction and context

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of asset management in WFP that focused on the period from 1 January 2016 to 31 March 2018. Activities initiated by Management after 31 March onwards were noted in so far as they contribute in their design to address the issues identified. At the time of the issuance of the report, however, their operating effectiveness could not be tested and confirmed. The audit team conducted the fieldwork from 28 May to 13 July 2018. This included work at WFP headquarters in Rome; visits to the Kenya, Liberia and Pakistan country offices; a visit to the United Arab Emirates WFP office (covering the operations of the Global Vehicle Leasing Programme and the Fast Information Technology and Telecommunications Emergency and Support Team); visits to the United Nations Humanitarian Resource Depots in Brindisi and Dubai; and a review of related corporate processes that impact across WFP. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. Assets are WFP resources that are: (a) used to support its mandate of providing humanitarian assistance; (b) issued to individuals or units for official use; and (c) listed in the official asset register taxonomy. With a total accumulated asset acquisition value of around USD 658 million as of April 2018, including assets classified as both fixed (asset items with a unit acquisition value of USD 5,000 and above) and non-fixed (with a unit acquisition value of less than USD 5,000), asset management presents challenges resulting from a high financial risk factor combined with high inherent risks of fraud and loss. Of the total asset acquisition value of USD 658 million, approximately USD 400 million (61 percent) represented fixed assets while USD 258 million (39 percent) represented non-fixed assets. The Global Equipment Management System (GEMS) is WFP's corporate tool used to manage and track both fixed and non-fixed assets.

3. Three main lines of enquiry were established for the audit:

- (i) Do WFP policies and guidance, including roles and responsibilities, provide for effective and sound management of assets?
- (ii) Are processes, systems and tools to manage assets effective and efficient to ensure:
  - a. Complete and timely recording, capitalization, depreciation and tagging of assets?
  - b. Effective tracking of internal and external asset movements?
  - c. Periodic verification and reconciliation of assets?
- (iii) Are assets adequately safeguarded and utilized as intended?

### Audit conclusions and key results

4. The Administration and Travel Branch of the Management Services Division carried out a strategic review of WFP's asset management in 2016 as part of a cost excellence exercise. The review highlighted the need to enhance existing processes and to establish a more structured asset management approach. In 2017, the Administration and Travel Branch developed the Cost Excellence Process Transformation Plan which identified key challenges related to asset management in WFP. The plan proposed seven key inter-divisional initiatives aimed to support WFP offices in the efficient and effective use of resources and to

enhance donor accountability; it was noted that a majority of issues raised in this audit report were already identified in the plan, and that the plan's proposed initiatives were aimed to address these challenges.

5. The Global Asset Management Strategy (2018-2021) was drafted in 2018 and aims to support country offices, enhance country office skills and capacity in the area of asset management, improve reporting and asset control, and increase asset management efficiency in line with United Nations Reform. As part of the strategy, the Administration and Travel Branch has: (a) in collaboration with the Technology Division, started the global roll out of the GEMS Mobile, a new smart phone application designed to simplify the physical inventory and related reconciliation of assets with the goal to facilitate the global clean-up of the Global Equipment Management System asset database; and (b) created a Global Asset Service team to help country offices dispose of excess assets via inter-agency public auctions.

6. Despite these developments, addressing organizational asset management issues (which in some cases have accumulated over a number of years) remains a considerable challenge, taking into account required resources and WFP's interdivisional and decentralized asset management structure. The audit identified critical control deficiencies and inefficiencies in each of the three lines of enquiry. Within the lines of enquiry, the audit observations may be classified into four major thematic areas: (i) governance including risk management and oversight frameworks over WFP assets; (ii) asset planning; (iii) corporate asset tracking systems; and (iv) asset data quality.

7. **Governance:** Governance and oversight of asset management have been negatively impacted by the absence of: (a) an updated corporate directive delineating the cross-divisional roles and responsibilities of various stakeholders in the organization; (b) an updated manual consolidating the existing fragmented guidelines and standard operating procedures detailing various activities required throughout the asset lifecycle; and (c) corporate guidance and oversight mechanisms for asset management specific to emergency responses, including the development of an asset planning strategy. As a result, a range of asset management activities were inconsistent across the WFP offices reviewed for the audit, and the asset control environment was generally weak. Moreover, the lack of updated policies and guidelines was one of the underlying causes of audit observations in other areas. The Management Services Division has initiated the drafting of an Administrative Services Manual, which will provide the framework for the management of asset management in the organization. The draft manual, which was informed by the business process reviews, was released for interdepartmental review and comment in August 2018.

8. **Asset planning:** Country offices with post-emergency operations reviewed during the audit had limited or no asset planning strategies, which, together with the lack of a corporate mechanism to systematically share asset information to transfer unutilized assets, had resulted in significant asset portfolio sizes accumulated from prior emergency responses. The audit found high levels of excess, obsolete and idle assets, and observed that effective management of asset-related matters in emergency responses has been hindered by a lack of proper coordination of functional areas and active involvement of country office administration units during emergency responses. There is a need to establish a systematic planning approach to ensure WFP's cost effectiveness by minimizing over-investment in assets and optimizing the use of surplus assets during scale-down of operations. The Global Asset Management Strategy has introduced the concept of asset planning as part of asset life cycle management which will link asset management processes to the upstream goods procurement process.

9. **Corporate asset tracking systems:** The material management module in WFP's enterprise resource planning system which contains detailed asset information and generates the fixed assets master record is not interfaced with the GEMS, the organization's detailed asset and equipment register. Asset information

related to acquisitions, transfers and disposals needs to be manually recorded by asset focal points in the GEMS. Moreover, other corporate tracking systems for facilities and leases, vehicles, corporate response stocks, and IT and telecommunication equipment for emergency operations, are also not integrated with the enterprise resource planning system. Manual inputting of asset information into various systems is inherently prone to encoding errors and duplication of effort, and also limits WFP's capacity to effectively monitor consolidated asset activities across the organization.

10. **Asset data quality:** The audit identified a range of data completeness and quality issues, as well as variations in data entered into the GEMS, primarily as a consequence of manual data entry procedures. Furthermore, there was no second-level review of encoding of asset information to ensure accuracy and validity of updates; this exposes the already error-prone manual process to potential misrepresentations and other fraud risks. The audit also noted that there was a high number of low value asset items recorded in the Global Equipment Management System because of the lack of guidance on the types, value and other attributes of assets that should be included in the asset register, implying that asset monitoring may be heavily transactional and focused on low-value items.

11. As a consequence of issues noted above in the areas of both corporate asset tracking systems and data quality, the results of audit tests carried out to verify asset existence, ownership, custody and completeness of recording assets and equipment, did not provide reasonable assurance that: (i) all assets were recorded in the GEMS; (ii) all assets recorded in the system existed and/or were within the custody of the organization; and (iii) asset status descriptions were accurately indicated in the system.

12. The results of the audit indicate a lack of corporate and country-level prioritization of the asset management function and processes. Given the extent and criticality of the issues raised in this report, executive sponsorship from senior management is essential to ensure that an asset management strategy is prioritized and implemented, and that resources are dedicated to implement the agreed actions arising from the audit.

13. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **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 area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited area. Urgent management action is required to ensure that identified risks are adequately mitigated.

14. The audit report contains five high and five medium priority observations, with agreed actions directed at a corporate level. An overview of all observations and agreed actions are summarized in Table 2.

## **Actions agreed**

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

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

**Kiko Harvey**  
Inspector General

## II. Context and Scope

### Asset Management

17. WFP's total acquisition value of assets reported in the GEMS as at April 2018 totalled approximately USD 658 million, consisting of 360,000 asset items. Of a total of approximately 360,000 asset items, 21 percent of items represented 74 percent (USD 487 million) of the total acquisition value. The balance of 79 percent of asset items represented the remaining 26 percent (USD 171 million). The first five major asset types constitute 81 percent of the total asset acquisition value, with the balance being a combination of the other 6 asset classes (see Table 1).

Table 1 - WFP Asset Portfolio as at April 2018

Locations	Vehicles	Temporary Buildings	Computer Equipment	Telecom Equipment	Office Equipment	Other**	Grand Total
	(USD millions)						
Eastern & Central Africa region	55	32	21	15	13	33	<b>169</b>
Middle East, North Africa & Central Asia region	60	22	18	10	8	15	<b>133</b>
West Africa region	33	23	16	14	15	22	<b>123</b>
Asia-Pacific region	40	21	14	11	10	25	<b>121</b>
Southern Africa region	16	6	10	7	5	7	<b>51</b>
Latin America & Caribbean region	10	6	5	3	2	8	<b>34</b>
WFP HQ-Italy	0.3	0.1	7	2	1	5.7	<b>16</b>
Liaison Offices	3.3	0	1	0.3	0.6	5.8	<b>11</b>
<b>Grand Total</b>	<b>218</b>	<b>110</b>	<b>92</b>	<b>62</b>	<b>55</b>	<b>121</b>	<b>658</b>
Total in Percentage	33%	17%	14%	9%	8%	19%	<b>100%</b>

(Source: WINGS and GEMS asset data)

18. Following WFP's adoption of International Public Sector Accounting Standards in 2008, fixed assets have since been capitalized for financial reporting purposes, rather than expensing them when acquired. A WFP fixed asset is defined as having a unit acquisition value of over USD 5,000 and a useful life of more than one year. Non-fixed assets have a unit acquisition value of less than USD 5,000 and are recorded as an expense when acquired. Of the total asset acquisition of USD 658 million, approximately USD 400 million (61 percent) represented fixed assets while the balance of USD 258 million (39 percent) represented non-fixed assets. The material management module in WINGS exclusively generates the asset master record (AMR) for each fixed asset item, while GEMS is the WINGS module (EMR) used to all track assets and equipment, both fixed and non-fixed.

19. The Administration and Travel Branch of the Management Services Division (RMMA), together with Asset Management focal points in various units of WFP headquarters (HQ) and in field offices, supports WFP in tracking and managing its global pool of assets. Functional areas such as supply chain, finance and administration, and information technology are responsible for managing their respective assets and equipment at both the corporate and country office levels. Of the USD 658 million total asset acquisition value, USD 271 million (41 percent) worth of assets were managed by RMMA; USD 219 million (33 percent) were managed by the Supply Chain Division (OSC); USD 154 million (23 percent) were managed by the Technology Division (TEC); and USD 11 million (2 percent) were managed by the Security Division.

20. RMMA carried out an extensive cost and process excellence review in 2016, and surveyed WFP country offices (COs) in 2017 regarding asset management. Both exercises highlighted key findings including: (a) poor quality of asset data; (b) existence of a significant amount of obsolete assets; (c) poor asset management capacity in the field; (d) resource-consuming physical count processes; and (e) a significant need to strengthen asset management across WFP.

21. RMMA is currently piloting the implementation of GEMS Mobile, a new mobile application to simplify the physical inventory of assets, which is intended to facilitate the global clean-up of the asset database in GEMS. The envisaged benefits of using GEMS Mobile include the easy identification of asset location; reduced time in carrying out periodic physical inventory verifications; minimized manual data entry; and enhanced reporting capabilities on asset data. GEMS Mobile roll-out to COs reviewed has positively contributed in cleaning up asset data in GEMS and identifying and disposing unused assets. The go-live date for GEMS Mobile was May 2018 in WFP's East and Central Africa region.

22. RMMA has also created a Global Asset Service (GAS) team that works with United Nations High Commissioner for Refugees (UNHCR) to assist COs in setting up public auctions to dispose of assets. The GAS team aims to: (a) maximize revenue from the sale of CO assets; (b) reduce storage and other operational costs in carrying unused assets; (c) reduce the risk of asset loss, misuse and lootings; and (d) streamline the asset disposal process.

## Objective and scope of the audit

23. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of asset management in WFP. 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.

24. 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.

25. The audit covered the period from 1 January 2016 to 31 March 2018. Where necessary, transactions and events pertaining to other periods were reviewed.

26. The audit field work took place from 28 May to 13 July 2018 in WFP HQ and via field visits to: three COs (Kenya, Liberia, and Pakistan); the United Arab Emirates WFP office including the operations of the Global Vehicle Leasing Programme (GVLP) and the Fast Information Technology and Telecommunications Emergency and Support Team (FITTEST); and the United Nations Humanitarian Resource Depots (UNHRD) in Brindisi and Dubai. In addition, managers and staff involved in asset management from selected WFP HQ units and regional bureaus (RBs) were interviewed.

## III. Results of the Audit

### Audit work and conclusions

27. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **Ineffective / Unsatisfactory**<sup>1</sup>. 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 area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited area. Urgent management action is required to ensure that identified risks are adequately mitigated.

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

#### *Risk management maturity*

29. RMMA's risk register, which is part of the annual performance plan for 2018, covered risks relevant to the administration and travel branch including risks related to asset management processes. One of the 10 risks identified in the audit was included in the risk register.

30. The audit noted that RMMA has been undertaking a number of process and systems-strengthening initiatives, including introduction of GEMS mobile, that in the short to medium-term will act as risk mitigation mechanisms to address some of the risks identified. RMMA and the asset management unit would benefit from a comprehensive analysis of the audit observations in updating the risk register.

#### *Data quality*

31. The recording of fixed assets in the financial module of WINGS is an automated process linked to the upstream generation of the asset master record when an asset is procured. No significant data quality issues were noted in the recording of fixed assets. However, the audit found a range of data completeness and quality issues in GEMS, WFP's asset register for both fixed and non-fixed assets, primarily as a consequence of the manual procedures in recording asset information in GEMS. For example, obsolete and/or idle assets classified as "operational", delays in updating functional locations for internal and external asset movements, and asset acquisition values of zero and less than zero.

32. Furthermore, there was no second-level review on encoding of asset information in GEMS. Although GEMS records an audit trail of changes made to asset information, there was no independent check on the accuracy and validity of updates. This exposes the already error-prone manual process to potential misrepresentations and other fraud risks.

### Observations and actions agreed

33. Table 2 outlines the extent to which audit work resulted in observations and agreed actions. These are rated as low, medium or high priority; observations that resulted in low priority actions are not included in this report.

---

<sup>1</sup> See Annex B for definitions of audit terms.



**Table 2: Overview of areas in scope, observations and priority of agreed actions**Priority of  
issues/agreed  
actions

<b>A: LoE1 – Do WFP policies and guidance, including roles and responsibilities, provide for effective and sound management of assets?</b>	
<p>Asset management governance and oversight have been negatively affected by the absence of: (a) an updated corporate directive delineating the cross-divisional roles and responsibilities of various stakeholders in the organization (for example the Asset Management Unit, Supply Chain, TEC, COs, RBs, GVLP, UNHRD and FITTEST); (b) comprehensive and updated guidelines, manuals, and standard operating procedures detailing various activities required throughout the asset lifecycle (acquisition, maintenance, and retirement); and (c) corporate guidance and oversight mechanisms for asset management specific to emergency responses including an asset planning strategy. As a result, asset management-related activities (including key performance indicators to assess CO asset management performance) were inconsistent across the WFP offices sampled for the audit, and the control environment was found to be weak.</p> <p>The mandate of Local Property Survey Boards (LPSBs) was narrowly focused on endorsing asset disposal decisions for approval. It had no strategic oversight of upstream asset processes such as acquisition planning, asset utilization, monitoring of physical asset verifications and periodic reconciliation. In addition, the role of asset focal points was not formalized through a detailed TOR and some locations did not have asset focal points appointed.</p>	
1. Lack of updated corporate policies and guidelines on asset management	High
2. Asset management issues related to WFP emergency response	High
3. Issues regarding the limited role of LPSB and appointment of asset focal points	Medium
4. GEMS asset data extraction criteria and Minimum Monthly Closure (MMC) reconciliation	Medium
5. Inconsistent asset management key performance indicators (KPIs) in COs	Medium
<b>B: LoE2 – Are processes, systems and tools to manage assets effective and efficient to ensure: a) Complete and timely recording, capitalization/depreciation and tagging of assets? b) Effective tracking of internal and external asset movements? c) Periodic verification and reconciliation of assets?</b>	
<p>The results of tests carried on the existence, ownership, custody, and completeness of recording assets and equipment did not provide reasonable assurance that: (i) all assets are recorded in GEMS; (ii) all assets recorded in GEMS exist and/or are within the custody of the CO; and (iii) asset status descriptions were accurately indicated in GEMS.</p> <p>Detailed asset information in WINGS does not automatically flow to GEMS because the two systems are not interfaced. Asset focal points manually encoded asset data in GEMS, a process which is inherently prone to encoding errors and has contributed to data quality issues noted during the audit. There was also no second-level review on encoding asset information in GEMS exposing the already error-prone manual process to potential misrepresentations and other fraud risks. RMMA is currently piloting the implementation of GEMS Mobile, a new mobile application designed to simplify the physical inventory of assets and aims to facilitate the global clean-up of the asset database in GEMS.</p> <p>The lack of detailed guidance on the types, value and other attributes of assets required to be recorded in GEMS has contributed to the increase in the number of low value asset items recorded in GEMS. Seventy-three to 76 percent of total asset items in the COs sampled only represented 9 to 26 percent of the total acquisition value – implying that asset monitoring may be heavily transactional, focusing on low-value items.</p>	
6. Gaps in recording, tagging and monitoring of assets in GEMS	High
7. Lack of system interface between WINGS modules relevant to asset master data recording	High
8. Recording and tracking low value items in GEMS	Medium
9. Asset end-of-life not systematically considered in the monitoring of assets in GEMS	Medium

<b>C: LoE3 – Are assets adequately safeguarded and utilized as intended?</b>	
<p>Various instances of significant levels of excess, obsolete, and/or idle assets such as unused vehicles, forklift trucks, generators, IT and office equipment and pre-fabricated offices/residences, were noted during the audit. This issue was observed prominently in post-emergency operations involving very large scale-ups that had eventually scaled down. A lack of effective asset planning and management throughout the emergency responses had resulted in large numbers of surplus items. This audit observation supports RMMA assessments that significant levels of unused and obsolete items (with estimated total acquisition value of up to USD 220 million as of 2017) have accumulated within the organization. There is no mechanism to systematically share asset information and facilitate movement of assets within WFP operations.</p> <p>In an effort to increase transparency and competition, RMMA’s Global Asset Service (GAS) team is encouraging and supporting COs in public auctions as the preferred method in disposing excess assets. In 2017, the GAS team administered a number of joint auctions in 6 COs and reported net savings of USD 3.5 million resulting from the sale of obsolete assets.</p>	
<i>10. Excess, obsolete, and non-utilized assets</i>	<i>High</i>

34. The ten observations of this audit are presented in detail below.

35. Management has agreed to take measures to address the reported observations<sup>2</sup>. 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.

---

<sup>2</sup> Implementation will be verified through the Office of Internal Audit’s standard system for monitoring agreed actions.

## Line of enquiry 1: Do WFP policies and guidance, including roles and responsibilities, provide for effective and sound management of assets?

The audit reviewed WFP corporate policies and guidelines on asset management including: existence and operational effectiveness of current WFP policies, guidelines and tools; defined roles and responsibilities of cross-functional stakeholders involved in asset management; support and oversight mechanisms by RMMA/RBs to COs; staff capacity in terms of skillsets and proper segregation of duties; operationalization of the asset planning strategy for emergency operations; and effectiveness of Property Survey Boards at HQ and CO levels.

In one CO reviewed, the Administration unit was actively working with the Programme unit in planning asset-related operational requirements to ensure available assets are used. This coordination positively mitigated the accumulation of excess and unutilized assets.

RMMA is currently updating WFP's Administrative Services Manual, which will have a section on asset management consolidating asset management policies and guidelines. These are currently fragmented in various reference documents such as the Financial Resources Management Manual (FRMM), IT Manual (on Asset Management), IT Equipment Retention and Life Expectancy, Directive on Management of Fixed and Other Relevant Physical Assets (OMM2008/001), and the WFP Policy Guidance Manual for International Public Sector Accounting Standards (IPSAS). The audit noted that RMMA's 2018 annual performance plan already indicated, as one of its KPIs, the implementation of asset management guidelines, including effective internal controls on receipt, recording, assignment and disposal of assets.

### Observation 1

### Proposed Agreed Actions [High priority]

#### Lack of updated corporate policies and guidelines on asset management

Asset management processes involve multidivisional responsibilities in a decentralized structure and are linked to various aspects of WFP operations. However, there was no updated corporate directive on asset management delineating the roles and responsibilities of various stakeholders in the organization (for example, the Asset Management Unit, Supply Chain, TEC, COs, RBs, GVLP, UNHRD and FITTEST). The latest directive was dated 1 March 2008.

In addition, existing guidelines were fragmented and limited to certain asset management activities. There were no comprehensive and updated asset management guidelines, manuals, and standard operating procedures (SOPs) detailing the various processes to be followed and activities that should be carried out throughout the asset life cycle (for example, acquisition, maintenance, and retirement), or to support whether segregation of duties has been considered in asset management processes. As a result, asset management related activities were observed to be inconsistent across the various COs and units sampled for the audit.

Three WFP offices sampled had developed their own SOPs on asset management. Although the overarching objective of these SOPs was to ensure effective and efficient asset management, the contents, coverage and level of detail varied. Capacity constraints in each of these offices, as well as the complexity of operations, were the main factors influencing the development of these SOPs.

In addition to an absence of general guidance, the audit noted gaps in several specific areas as follows:

- *Guidance on asset insurance coverage including asset risk assessment procedures for WFP offices.* There were no thresholds or definitions set for assets or equipment with respect to insurance coverage, resulting in

RMMA will:

- Update the corporate policy/directive on asset management defining the roles of responsibilities of various stakeholders including those from functional areas;
- Finalize the Administrative Services Manual to cover comprehensive asset management guidelines and procedures on management activities throughout the asset life cycle; and
- In coordination with OSCR, review insurance coverage of: (a) GVLP vehicles at the warehouses in Dubai; and (b) in-country vehicles outside GVLP's leasing agreements.

Due dates: 30 September 2019

---

varying insurance coverage practices implemented by COs sampled during the audit. With respect to the GVLP, the audit noted that vehicles at the warehouses in Dubai (parked and not in transit) were not insured against all kinds of risks; furthermore, in-country vehicles outside leasing agreements (for example, under registration or for disposal) were also uninsured.

- *Policy of donating WFP assets to partners including governments.* There was no policy on asset donation requiring WFP offices to justify capacity development as a major consideration for this type of asset disposal. The LPSB should also be informed of the details if disposal is carried out via sale.
- *Construction of multiple buildings in various locations/camps under one purchase order (PO).* There was lack of clarity in allocating total construction costs to individual buildings for recording and tracking purposes in GEMS. The audit noted double-recording of the same PO total amount for two separate buildings for which costs were included on the same PO.
- *Procedures in recording assets donated to WFP.* (For example, equipment giveaways from building contractors, office furniture and equipment from partners, etc.). A lack of clear guidance on recording and valuation of donated assets resulted in numerous instances of these items being assigned acquisition values of USD 1, zero, or less than zero in GEMS, because they do not relate to a PO.
- *Tracking activities of assets for transfer from closed sub/area offices to other locations.* (For example, to other field offices and camps). Asset movements within COs were not always effectively tracked and the relevant asset focal points (originating office versus receiving office) responsible for updating GEMS were not always clearly defined.
- *Recording procedures of equipment purchased through petty cash.* Audit observations indicated that such equipment purchases may not always be recorded.
- *Asset focal point nomination procedures and maintenance of a centralized and updated list of asset focal points.* There was no process in place to regularly update the nominations and the summary list when existing asset focal points were replaced.
- *Eligibility of WFP staff to purchase old assets.* The audit observed differences across WFP offices as to whether staff were permitted to purchase old assets being offered for sale.

At the time of the audit RMMA had initiated drafting of the Administrative Services Manual, which will provide the framework for the management of administrative services within WFP, including asset management. The manual, which was informed by RMMA's business process reviews, was released for interdepartmental comment in August 2018, and at the time of the audit is yet to be finalized.

Underlying causes: Asset management function and processes lack corporate prioritization. Multiple priorities of the Asset Management Unit with limited resources. Organizational requirements for effective asset management are not well understood.

---

Observation 2	Proposed Agreed Actions [High priority]
<p><b>Asset management issues related to WFP emergency response</b></p> <p>WFP's Emergency Response Activation Protocol (OED2015/014) prescribes the criteria, processes and procedures to be followed when WFP is required to respond to emergency events or circumstances. It indicates a chain of command (with accountabilities and responsibilities) which identifies the CO Administration Unit as the responsible unit for asset management within the emergency response governance structure.</p> <p>The audit observed that in emergency responses effective management of asset-related matters has been hindered due to the following factors:</p> <ul style="list-style-type: none"> <li>• A lack of corporate guidance for asset management during and after emergencies;</li> <li>• The existence of parallel emergency response structures in addition to existing CO structures; and</li> <li>• A lack of proper coordination and active involvement of the Administration Unit throughout the emergency response period.</li> </ul> <p>As a result, asset management during emergencies was noted to be deprioritized.</p> <p>In addition, the sampled COs reviewed in current and post-emergency operations had limited or no asset planning strategies. In combination with factors noted above, this contributed to substantial asset build-up and subsequent under-utilization after the emergency response period (as discussed further in Observation 10). There were instances of assets acquired during emergencies not being recorded, and consequently being exposed to misappropriation or misuse.</p> <p>Establishing a systematic approach will: (i) promote consistency in planning for assets during emergency operations; and (ii) enhance WFP's cost effectiveness by minimizing over-investment in assets and optimizing surplus assets during scale down of operations including timely disposal.</p> <p><u>Underlying causes:</u> Asset planning (scale up and scale down) not prioritized during emergency response planning. Lack of coordination and prioritization of administration units in the parallel structures created when emergency response protocols were activated.</p>	<p>RMMA in coordination with OSE and other relevant units will:</p> <ol style="list-style-type: none"> <li>Develop corporate guidance and oversight mechanisms for asset management in emergency responses, including definition of the Administration Unit's involvement during asset acquisition planning; and</li> <li>Establish a framework to strengthen coordination mechanisms between the emergency response teams and CO administration units responsible for asset management.</li> </ol> <p>Due dates: 30 September 2019</p>
Observation 3	Proposed Agreed Actions [Medium priority]
<p><b>Issues regarding the limited role of LPSB and appointment of asset focal points</b></p> <p>The LPSB's mandate and oversight responsibilities, as prescribed in the existing corporate terms of reference, are focused only on endorsing asset disposal decisions for CO management approval. The audit observed that the LPSB is not involved in overseeing other aspects of asset management throughout the asset life cycle.</p> <p>This focus positions the LPSB as a committee with no strategic oversight of upstream asset processes such as acquisition planning, asset utilization, monitoring of physical asset verifications and periodic reconciliation. As</p>	<p>RMMA will:</p> <ol style="list-style-type: none"> <li>Review the current LPSB TOR and assess the possibility of expanding the committee's role to include involvement and oversight across other aspects of asset management. This may include, for example, establishing a link to the Purchase and</li> </ol>



such, there is an opportunity to expand LPSB's current role to have wider involvement and oversight across all asset management processes, given the range and criticality of issues raised in this report.

Audit interviews with LPSB members in sampled locations indicated the following shortcomings with current processes:

- Lack of a structured and formal orientation to members when joining the committee to ensure awareness of their mandate and effective execution of responsibilities;
- Limited knowledge on some asset management processes and tools (for example, GEMS functionalities) to enhance LPSB decision making;
- Reliance on data provided by Administration Units without independent assessments performed due to capacity and time constraints; and
- No provisions made for members to declare actual or potential conflicts of interest for specific LPSB decisions.

COs, as part of the asset management governance structure, assign asset focal points in various operational locations. Such focal points are required to have knowledge in asset management processes including asset tracking systems; however, the audit noted that there was no standard terms of reference (TOR) for this function. In addition, some field offices: (a) did not have asset focal points formally appointed; and (b) had asset recording and monitoring responsibilities concentrated on one staff member with no proper continuity and/or back-up plans. These factors negatively impacted management of assets in the relevant COs.

Underlying causes: Existing LPSB terms of reference narrowly focus on asset disposal. Absence of LPSB orientation programme to develop awareness of members to asset management tools and processes. Turnover of asset focal points with no continuity plans. Standard TOR for asset focal points not formalized.

Contract Committee review process to mitigate over-procurement of certain items;

- (ii) Develop an orientation programme that will introduce tools and processes on WFP asset management to newly appointed LPSB members;
- (iii) Develop a standard TOR and periodic training programmes for asset focal points; and
- (iv) Based on the nomination procedures of asset focal points, ensure that all functional locations, including field offices, have asset focal points.

Due dates: 30 September 2019

**Observation 4**

**GEMS asset data extraction criteria and Minimum Monthly Closure (MMC) reconciliation**

The audit noted that reports extracted from GEMS by AMU and CO Administration units contained inconsistent data. In two of the offices sampled during the audit, the variance in total acquisition value ranged from 14 percent to 16 percent. This was due to the use of different criteria in extraction processes.

Although AMU had previously circulated guidance defining asset data extraction criteria in GEMS, this was not always used consistently across WFP offices. Some asset focal points were observed to have limited knowledge of GEMS reporting functionalities and were not able to exclude, for example, deactivated assets when extracting data. There is a risk that inaccurate reports may be used for asset monitoring and in reporting CO-level assets.

Related to the observation above, and as part of the monthly reconciliation procedures, variances were also noted between the fixed assets listing in WINGS (AMR) and GEMS (EMR). Some of the COs sampled during the audit

**Proposed Agreed Actions [Medium priority]**

RMMA will:

- (i) In coordination with TEC and RMX, finalize the development of a reporting tool in WINGS to automate the periodic CO fixed assets reconciliations, which will inform the monthly reconciliation process;
- (ii) In coordination with TEC, explore linking the results of the automated MMC reconciliation to the INFO dashboard to highlight reported variances and prompt reconciliation procedures;



consistently reported variances or unreconciled asset items for more than three months; however, no definitive action was taken to investigate and clear these discrepancies by the relevant RB and/or HQ. At the time of the audit, the COs concerned had initiated a review and follow up of the variances noted.

RMMA, on a monthly and annual basis, performs a consolidated fixed asset reconciliation and a high-level review of asset balances between AMR and EMR as part of WFP's accounts closure process to support periodic financial reporting. RMMA had initiated discussions with TEC to automate this manual and time-consuming process.

Underlying causes: Limited knowledge by CO asset focal points of GEMS functionalities. Lack of systems integration between WINGS (AMR) and GEMS (EMR) (see observation 7). MMC reconciliation results not shared with RMMA/AMU at corporate level nor with regional administration officers at RB level.

- (iii) As part of monitoring asset focal points, ensure that all asset focal points undertake available corporate asset management trainings; and
- (iv) In coordination with RMFG, define roles and responsibilities for MMC reconciliations between CO Finance and Administration units, and clarify the related oversight functions of RB and relevant HQ units.

Due dates: 31 March 2019

**Observation 5**

**Inconsistent asset management KPIs in COs**

The Annual Performance Plans (APPs) of the COs sampled during the audit indicated the following issues related to asset management KPIs compiled by Administration Units, the functional units responsible for managing CO assets:

- Some asset management deliverables did not have related KPIs;
- The KPIs used for tracking asset management performance were process-oriented and did not leverage on existing quantitative data already available such as: (a) total excess/obsolete/non-utilized assets in GEMS against programmed activities; and (b) vehicle utilization rate in the Fleet Management System against programmed activities.

In addition, there was no alignment between the deliverables and respective KPIs set by the Management Services Division Performance Plan 2018-2019 and the KPIs used by CO Administration Units. This misalignment may result in failure to accurately reflect key asset management issues and to indicate risks that may require prompt action. This observation was raised in the Internal Audit of Management Performance Indicators and Supporting Information Systems in WFP report in 2017.

Underlying causes: Absence of corporate guidelines with standard metrics to measure KPIs using information from GEMS and other asset tracking systems.

**Proposed Agreed Actions [Medium priority]**

RMMA will:

- (i) In coordination with the Performance Management and Accountability Division (RMPP), include updated standard KPIs in the Administrative Services Manual that: (a) COs can utilize to assess asset management performance; and (b) highlight and monitor key asset management issues. The KPIs should consider existing information available from existing corporate asset tracking systems and RMMA's priorities; and
- (ii) Review and monitor CO asset management performance indicators through the Administration Units of RBx.

Due dates: 31 March 2019

## Line of enquiry 2: Are processes, systems and tools to manage assets effective and efficient to ensure: a) Complete and timely recording, capitalization/depreciation and tagging of assets? b) Effective tracking of internal and external asset movements? c) Periodic verification and reconciliation of assets?

A fraud risk assessment undertaken in 2017 identified asset diversion and unrecorded assets as high residual risks. Accordingly, the audit reviewed the effectiveness and efficiency of WFP asset management processes, and systems and tools to properly record, capitalize, depreciate, tag and track movements of assets. Asset data quality in GEMS, as a downstream indicator of the asset recording process, was assessed to determine whether it supported the operational and monitoring requirements of various stakeholders. Effective tracking of asset movements internally (within WFP offices/operations) and externally (to cooperating partners and governments) was also tested. To ensure reliability of financial information, the audit focused on controls to ensure effectiveness of the annual asset physical verification exercise and related reconciliation procedures.

RMMA is currently piloting the implementation of GEMS Mobile, a new mobile application to simplify the physical inventory of assets. It aims to facilitate the global clean-up of the asset database in GEMS. The envisaged benefits of using GEMS Mobile include the easy identification of asset location; reduced time in carrying out periodic physical inventory verifications; minimized manual data entry; and enhanced reporting capabilities on asset data. GEMS Mobile roll-out to COs reviewed has positively contributed in cleaning up asset data in GEMS and identifying and disposing unused assets.

FITTEST has piloted an initiative to pre-tag assets purchased by COs prior to delivery. This has facilitated the recording of assets in GEMS especially in emergency operations where asset movements are very fluid and the likelihood of assets not being recorded, or being recorded late upon arrival in a CO, is high.

### Observation 6

### Proposed Agreed Actions [High priority]

#### Gaps in recording, tagging and monitoring of assets in GEMS

During the audit, a number of procedures were carried out to gain assurance over the existence, ownership, custody, and completeness of recording of assets and equipment. The results of these tests did not provide reasonable assurance that: (i) all assets are recorded in GEMS; (ii) all assets recorded in GEMS exist and/or are within the custody of the CO; and (iii) asset status descriptions were accurately indicated in GEMS (for example, functional locations, including in-transit GVLP vehicles, and operational states). The audit sampled asset items recorded in GEMS with acquisition values totalling USD 23.4 million for physical verification; USD 4.4 million (19 percent) of the total sample could not be physically located in the functional locations indicated in GEMS.

Key observations arising from these tests relating to recording, tagging and monitoring of assets included:

- Potential overstatement of assets recorded in GEMS due to factors such as:
  - Assets already handed over or donated to partners but still recorded in the system (for example, significant amounts of temporary buildings in two sampled COS); and
  - Double-recording of asset values (for example, buildings with one PO, GVLP vehicles located in CO erroneously tagged as owned by the CO, HQ laptops and related accessories).
- Delays in manually updating functional locations in GEMS for internal and external asset movements.
- Lack of recording of assets in GEMS, particularly for those acquired/received by COs during emergency responses involving rapid scale-up of operations.

(1) RMMA will:

- (i) Update the roll-out plan to fully implement GEMS Mobile in order to carry out comprehensive and accurate asset verifications, and to facilitate clean-up of the asset database;
- (ii) As part of the plan for WINGS and GEMS systems integration (see observation 7): (a) update and review the 2012 study on decentralized asset tag printing at the CO level; and (b) evaluate the use of equipment master record number for asset tags, instead of generating another set of inventory numbers.
- (iii) In coordination with TEC:
  - a) Promptly review and resolve technical issues associated with GEMS Mobile; and



- Obsolete and/or idle assets classified as “operational” in GEMS.
- Issues related to asset tags including:
  - Assets with no tags/labels;
  - Assets with new label tags but the old tag number indicated in GEMS;
  - Duplication entries occurring when an old and unreadable asset label (with old inventory number) had been replaced with a new tag (with a new inventory number), which typically occurs in office fixture and fittings; and
  - Hand-written asset tags.

RMMA conducted a study in 2012 to evaluate the decentralization of printing asset tags at the CO-level. At the time of the audit, asset label tags were manually generated and were still printed in HQ.

GEMS Mobile, a new smart phone application designed to simplify the physical inventory of assets, aims to facilitate the global clean-up of the asset database in GEMS. The benefits of using GEMS Mobile include: (i) reduced time in carrying out physical verification of assets; (ii) ease in identifying the asset location; and (iii) minimized manual data entry – exception reports are generated and are the bases in updating GEMS asset information. RMMA has developed a preliminary plan to roll-out GEMS Mobile in the 6 RBx, set to be completed in 2019. At the time of the audit, only the RBN roll-out was substantially completed.

However, the audit noted some as yet unresolved implementation issues associated with GEMS Mobile. In one of the sampled COs where pilot-testing was underway, asset information from completed counts which had already been uploaded was deleted. As a result, completed physical inventories of assets in four CO locations had to be redone. The CO is working closely with the GEMS Mobile team and TEC on technical issues and doing manual back-ups of information in case further data losses are experienced moving forward.

Underlying causes: Unresolved accumulated asset management issues built up from prior years at CO and functional unit level. Cumbersome physical asset verification process coupled with the lack of capacity of some COs. Asset management function and processes at CO level lack prioritization. Limited capacity of CO asset focal points including knowledge of GEMS functionalities. Issues that were not experienced during the pilots of two large CO operations surfaced when scaling up GEMS Mobile roll-out.

- b) Explore the possibility of expanding GEMS Mobile functionalities to support asset management activities outside of the annual physical verification.

Due dates: 31 March 2020

**Observation 7**

**Lack of system interface between WINGS modules relevant to asset master data recording**

The material management module in WINGS generates the asset master record exclusively for fixed assets, while GEMS is another module in WINGS used to track all WFP assets (both fixed and non-fixed) at the CO and functional unit level. However, detailed asset information in the material management module of WINGS does not automatically flow to GEMS because the two modules are not interfaced. As a result, detailed information for both

**Proposed Agreed Actions [High priority]**

RMMA will:

- (i) In coordination with TEC, develop business requirements and evaluate solutions to integrate data between the material management module of WINGS with GEMS and other corporate asset tracking systems;

---

fixed and non-fixed assets need to be manually recorded by asset focal points in GEMS – this includes acquisitions, transfers and disposals.

In addition, other corporate asset tracking systems such as Archibus (for facilities and leases), Fleet Management System (for vehicles), Great-Plains (used by FITTEST), and Warehouse Management System (used by UNHRD) are also not integrated with the GEMS module in WINGS.

Manual inputting of asset information into various systems is inherently prone to encoding errors and duplication of effort by the various units involved. The audit noted a range of data completeness and quality issues including:

- Delays in recording fixed assets in GEMS;
- Asset/equipment items (non-fixed assets, with acquisition values of less than USD 5,000) not recorded in GEMS. (RMMA has introduced a PO consistency report to identify unrecorded or duplicated low-value asset items in GEMS).
- Incomplete and inaccurate asset details/descriptions (including assets with no acquisition dates indicated), acquisition values, and functional locations (see also observation 6);
- Asset creation dates indicated before asset acquisition dates;
- Asset acquisition values of zero and less than zero; and
- No acquisition dates indicated.

Furthermore, there was no second-level review on encoding of asset information in GEMS. Although GEMS records an audit trail of changes made to asset information, there was no independent check on the accuracy and validity of updates. This exposes the already error-prone manual process to potential misrepresentations and other fraud risks.

Underlying causes: Unresolved system integration issues already raised in prior years. Recording of asset items in GEMS not procedurally linked to the creation of the Goods Receipt Notes (GRNs). COs' lack of knowledge in GEMS functionalities exacerbated by staff turnover issues.

---

- 
- (ii) In the interim, establish a procedure to systematically require the recording of asset items in GEMS when relevant GRNs are created; and
  - (iii) Evaluate the need to develop a second-level review process to mitigate encoding errors and unauthorized changes in GEMS.

Due dates: 31 March 2020

**Observation 8****Proposed Agreed Actions** [Medium priority]**Recording and tracking low value items in GEMS**

From its analysis of GEMS asset data for a sample of WFP offices, the audit noted that asset and equipment items had asset acquisition values in the following ranges:

	Pakistan	Liberia	Kenya	UAE Office	UNHRD Brindisi
USD 0 to 100	18%	14%	32%	32%	35%
USD 100 to 150	43%	41%	36%	36%	32%
USD 500 and above	39%	45%	32%	32%	33%

Overall, 73 to 76 percent of total asset items in the COs sampled represented only 9 to 26 percent of the total acquisition value – implying that asset monitoring may be heavily transactional with a focus on low-value items. This represents a significant opportunity for more cost-efficient asset management.

Comparative costs and benefits of recording and tracking low value asset items, taking into account the time and effort involved, have not been evaluated. The lack of guidance on which asset types and values should be recorded in GEMS has exposed the process to subjective interpretation by CO and functional unit asset focal points, which has resulted in inconsistent recording and tracking practices.

As mentioned in observation 1, the audit noted that the following asset items were assigned nominal acquisition values of USD 1, zero or less than zero: (a) assets donated to WFP without a corresponding PO; and (b) components of bundled assets consisting of multiple items. Lack of guidance in these areas has contributed to the increase in the number of low value asset items recorded in GEMS.

At the time of the audit a review of assets taxonomy was being undertaken, and discussions were ongoing as to what asset types and values should be recorded and tracked in GEMS.

Underlying causes: Absence of corporate guidance on the type, value and other attributes of assets required to be recorded in GEMS. Recorded nominal values (USD 1 or less) in GEMS for assets with no POs. Asset management function and processes at CO-level lack prioritization.

RMMA will develop corporate guidance on the types of assets required to be recorded and tracked in GEMS, with reference to the existing asset taxonomy and to other criteria (for example, susceptibility of certain lower value items to theft and loss).

Due dates: 30 September 2019



**Observation 9**

**Proposed Agreed Actions [Medium priority]**

**Asset end-of-life not systematically considered in the monitoring of assets in GEMS**

GEMS does not have a functionality to present information on the end-of-life of assets; consequently, asset focal points do not have access to information such as asset useful life and residual values.

Without considering the useful lives of assets, disposal decisions may not be sufficiently supported (for example, they may not be based on net book value). Asset focal points may rely on other indicators when assessing disposals, such as the physical condition of assets, which may only be determined during annual physical asset verifications.

This lack of information may also impact the way users and other stakeholders carry out asset management related activities, such as asset monitoring and write-offs. Independent computation by the audit revealed that asset items with zero residual value in sampled COs ranged from 67 to 81 percent of the total asset items.

The audit observed that CO Administration units had to manually compute the residual values of assets planned for disposal before convening LPSB meetings.

Underlying causes: Functionalities to calculate asset end-of-life and residual values for equipment items as proposed in RMMA's business requirements were not fully considered during the development of GEMS.

As part of the upcoming plan for WINGS and GEMS systems integration (see observation 7), RMMA will explore the possibility of developing a function in GEMS to calculate the end-of-life and residual values of all recorded assets.

Due dates: 30 September 2019

### Line of enquiry 3: Are assets adequately safeguarded and utilized as intended?

The audit reviewed process controls related to the effective utilization and safeguarding of assets across WFP including: asset planning activities for pre- and post-emergency operations; existence and effectiveness of mechanisms for sharing asset data across WFP operations; and processes to safeguard assets such as insurance and asset storage conditions.

RMMA has created a GAS team that works with UNHCR to help COs set-up public auctions to dispose assets. The GAS team aims to: (a) maximize revenue from the sale of CO assets; (b) reduce storage and other operational costs in carrying unused assets; (c) reduce the risk of asset loss, misuse or lootings; and (d) streamline the asset disposal process. In 2017, the GAS team administered a number of joint auctions in six COs and reported net savings of USD 3.5 million resulting from the sale of obsolete assets.

#### Observation 10

#### Proposed Agreed Actions [High priority]

##### Excess, obsolete, and non-utilized assets

The audit noted several instances of significant levels of excess, obsolete, and idle assets. These included unused vehicles from GVLP, forklift trucks, generators, IT and office equipment and pre-fabricated offices/residences.

- One sampled CO had unutilized computer, telecom and office equipment with acquisition value totalling approximately USD 1 million stored in one functional location. In addition, about 13 sets of pre-fabricated offices/residences that were delivered brand new in 2016 had not yet been used.
- Another CO purchased stocks in 2014 from FITTEST. However, these items were still in the Dubai warehouse at the time of the audit because of importation restrictions from the government.
- The issue was observed prominently in one CO where a very large scale-up happened during an emergency response in 2015. During the scale-up, it was reported that many assets were either acquired or shipped to the country. These assets may not have been recorded (in WINGS and/or GEMS), and locations and custody may not have been tracked. The lack of proper asset planning and management throughout the emergency response resulted in a large number of surplus items not required for regular activities being retained in the CO, which became apparent after the scale-down.

These audit observations support RMMA estimates carried out in 2017 that there are significant levels of unused and obsolete assets within the organization; estimates by RMMA of the total acquisition value of such items indicate an amount of up to USD 220 million.

There is no mechanism to systematically share asset information among WFP offices to ensure that unutilized assets in one location can be transferred to operations with similar asset requirements. The COs reviewed during the audit continued to incur not just storage costs but also opportunity costs in retaining bulky assets.

The audit noted a lack of flexibility in GVLP's leasing arrangements for emergency operations completed in less than 5 years. In the case of one CO reviewed, an emergency response lasted for approximately 2 years; during this period, the CO acquired a large number of vehicles from GVLP on a 5-year lease agreement. At the time of audit, most of the vehicles were no longer used or required due to the scale down in operation; as a consequence, they were parked in the CO and had not been used for long periods, in some cases more than two years. The CO

RMMA will:

- (i) Ensure full implementation of the asset disposal plan through coordination with RBs and COs;
- (ii) Establish escalation protocols to properly manage undelivered assets within WFP operations;
- (iii) Operationalize a system to share asset information and facilitate movement of assets across WFP operations using GEMS; and
- (iv) In conjunction with GVLP consider flexibility in vehicle leasing arrangements for emergency operations of less than 5 years duration.

Due dates: 30 June 2019

---

was still paying lease charges for the vehicles, but did not want return them and break the lease agreement as this would potentially be financially disadvantageous to the CO.

RMMA's GAS team has identified and prioritized COs with large portfolios of excess, obsolete and idle assets and has developed an asset disposal plan to assist these COs. The team is encouraging public auctions as the preferred method in disposing of excess assets in an effort to increase transparency and competition. In collaboration with UNHCR, the GAS team has helped several COs carry out public auctions for asset disposal.

Underlying causes: Asset management function and processes at CO level lack prioritization, especially during emergency operations. Lack of proper asset planning with limited involvement of CO Administration Units during asset planning and acquisition. Lack of escalation protocols/procedures to ensure undelivered assets are properly managed, taking into account asset life and obsolescence. Lack of mechanisms to systematically share asset information across WFP operations.

---

## Annex A – Summary of observations

The following tables shows the categorization 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.

Given the decentralized asset management responsibility of various stakeholders in WFP, RMMA will take the lead in implementing the agreed actions by their respective due dates.

	<b>High priority observations</b>	<b>WFP's Internal Control Framework</b>	<b>WFP's Enterprise Risk Management Framework</b>	<b>WFP's Internal Audit Universe</b>	<b>Implementation Lead</b>	<b>Due date</b>
1	Lack of updated corporate policies and guidelines on asset management	Control Environment	Governance and oversight	Asset management	RMMA	30.09.2019
2	Asset management issues related to WFP emergency response	Control Activities	Business process	Asset management	RMMA	30.09.2019
6	Gaps in recording, tagging and monitoring of assets in GEMS	Control Activities	Business process	Asset management	RMMA	31.03.2020
7	Lack of system interface between WINGS modules relevant to asset master data recording	Control Activities	ICT	Asset management	RMMA	31.03.2020
10	Excess, obsolete, and non-utilized assets	Control Activities	Assets	Asset management	RMMA	30.06.2019

	Medium priority observations	WFP's Internal Control Framework	WFP's Enterprise Risk Management Framework	WFP's Internal Audit Universe	Implementation Lead	Due date
3	Issues regarding the limited role of LPSB and appointment of asset focal points	Control Environment	Governance and oversight	Asset management	RMMA	30.09.2019
4	GEMS asset data extraction criteria and Minimum Monthly Closure (MMC) reconciliation	Monitoring Activities	Business process	Asset management	RMMA	31.03.2019
5	Inconsistent asset management KPIs in COs	Information and Communication	Governance and oversight	Asset management	RMMA	31.03.2019
8	Recording and tracking low value items in GEMS	Control Activities	Business process	Asset management	RMMA	30.09.2019
9	Asset end-of-life not systematically considered in the monitoring of assets in GEMS	Monitoring Activities	Business process	Asset management	RMMA	30.09.2019



## 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 objective 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.
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.<sup>3</sup>

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 ICF follows principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Integrated ICF, 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."<sup>4</sup> 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	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 COs 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.

**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

<sup>3</sup> 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.

<sup>4</sup> OED 2015/016 para.7

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<sup>5</sup> 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 and 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 and 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 and 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 and advocacy; Host government relations; Inter-agency coordination; 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; Monitoring and Evaluation (M&E) framework; Gender; Protection; Environmental management.

## 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.

<sup>5</sup> A separate universe exists for information technology with 60 entities, processes and applications.

## Annex C – Acronyms

AMR	Asset Master Record for fixed assets
APP	Annual Performance Plan
CO	Country Office
EMR	Equipment Master Record
FITTEST	Fast Information Technology and Telecommunications Emergency and Support Team
GAS	RMMA's Global Asset Service team
GEMS	Global Equipment Management System
GRN	Goods Receipt Note
GVLP	Global Vehicle Leasing Programme
HQ	WFP Headquarters
KPI	Key Performance Indicator
LPSB	Local Property Survey Board
MMC	Minimum Monthly Closure reconciliation
OIGA	Office of Internal Audit
OSC	Supply Chain Division
OSCR	OSC Operational Risk Management Unit
PO	Purchase Order
RB(s)	Regional Bureau(s)
RMM	Management Services Division
RMMA	RMM Administration and Travel Branch
RMPP	Performance Management and Accountability Division
SOPs	Standard Operating Procedures
TEC	Technology Division
UN	United Nations
UNHCR	UN High Commissioner for Refugees
UNHRD	UN Humanitarian Response Depot
WFP	World Food Programme
WINGS	WFP Information Network and Global System, WFP's ERP system