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Internal Audit of WFP Operations in Madagascar

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World Food
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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 Madagascar that focused on the period 1 January 2017 to 31 August 2018. Expenditures in Madagascar totalled USD 38.9 million in 2017, representing 0.007 percent of WFP's total direct expenses for that year. The audit team conducted the fieldwork from 18 September to 3 October 2018 at the country office premises in Antananarivo and through onsite visits to Ambovombe, Amboasary and Tsihombe field offices and project sites in Madagascar's Deep South. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. Madagascar is a disaster-prone country, affected by an average two to three cyclones per year, recurrent drought and structural poverty. The audit period covered the end of the Southern Africa El Niño Level Three response, three cyclone responses and the more recent decision to shift, with the upcoming Country Strategic Plan, from a focus on crisis response towards a strategy for shock-responsive social protection that will help build the resilience of vulnerable communities, including those affected by climate change.

3. At the end of 2017, the country office, present in Madagascar for the last 60 years, performed a resource transfer of the then ongoing activities into a temporary Interim Country Strategic Plan to adjust to the new programme and budget management tools WFP has introduced with the Integrated Road Map. The introduction of the portfolio management approach represents an additional challenge to the country office, while continuing to deliver a complex mix of activities. These include crisis response activities in the Deep South, where around one million people, or 30 percent of the population, are in Integrated Food Security Phase Classification 3 and 4 (Crisis and Emergency) and require urgent action to reduce climate-change-induced food and nutrition deficits and protect their livelihood.

Audit conclusions

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **Partially satisfactory / Some improvement needed**. The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the 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.

5. Overall, the audit found the country office well-guided by regional bureau and headquarters support and oversight missions, accompanying a strategic shift as well as general internal control and risk management enhancements. Corporate tools like the annual performance plan, emergency preparedness action monitoring or contribution forecast analysis in Salesforce were effectively in use and country-specific standard operating procedures guided the operation. Distribution and project sites visited during the audit were adequately organized and activities were implemented following proper beneficiary targeting, beneficiary identification and crowd control standards, whereby WFP's efforts, especially for participatory planning approaches, were welcome and commended by partners. The audit globally acknowledged the efforts made by the country office to formulate its resilience strategy following the Rome-Based Agencies



Conceptual Framework for Resilience and to improve WFP's positioning for safety net operations through active participation in cash-based transfer working group, cluster and other inter-agency meetings.

6. The audit report contains one high priority observation on the **Resourcing for a complex/diverse portfolio**: The current portfolio is characterized by a high degree of programmatic and supply chain complexity with very diverse processes to attend to with workforce limitations and at the same time earmarking and activity-specific funding constraints. Roles and responsibilities for resource management change with the shift to the portfolio management approach; and practices need strengthening to address issues identified related to open items, grant and position cost management, that could affect the delivery of strategic objectives. With enhancing resource mobilization efforts, the country office should conduct a prioritization exercise of its critical activities, considering current and projected funding, and reassess the sustainability and linkages of the various activities included in the portfolio.

7. Seven medium priority actions aim to address challenges in change management and communication, to further improve the organizational set-up; to enhance human resources management and staff wellness as well as business processes and internal work flows to ensure data integrity and effective planning; and to enable performance monitoring for advocacy or validation of decision-making. Last but not least, the audit noted that having gained momentum with the Zero Hunger Strategic Review and in the process of reconciling approaches in cash-based transfers, safety nets and resilience approaches with other actors, the country office needed to ensure participation and alignment with United Nations country team programme design processes and adherence to corporate partnering principles to foster impact, synergies and sustainability of its interventions.

Actions agreed

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

9. 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

Madagascar

10. Among the world's largest islands, Madagascar boasts a unique ecosystem, including species of plants and animals found nowhere else. Despite its potential, in recent decades the country has experienced a stagnation in per capita income and a rise in absolute poverty. Over 78 percent of Madagascar's population lives on less than USD 1.90 per day. Chronic malnutrition affects almost half of all children under five - the world's fourth highest rate - and is a major public health concern; one in two children suffers from stunting and the cost of hunger is estimated at USD 1.5 billion, or 14.5 percent of the country's GDP, each year.

11. Although humanitarian assistance by WFP and other agencies contributed to halving the number of severely food insecure people by the end of the 2016-2017 lean season, the food security situation in the Deep South of Madagascar remains fragile. The latest Integrated Food Security Phase Classification (IPC) estimates that the number of food insecure persons in nine districts of the Deep South is over 954,000, of which approximately 290,000 are in phase 4, corresponding to a 'humanitarian emergency'.

12. Madagascar is among the ten countries most vulnerable to natural disasters and is considered as the most cyclone-exposed country in Africa. A quarter of the population lives in areas highly prone to cyclones, floods or drought, exacerbated by climate change and environmental degradation.

13. Political instability has undermined institutional capacity, economic growth and development efforts. It has also reduced people's access to basic services and their ability to prevent and recover from frequent shocks. The next presidential elections, to be held in late 2018, are currently being prepared by an interim national unity government. Madagascar ranks 155 of 175 in Transparency International's 2017 Corruption Perceptions Index.

WFP Operations in Madagascar

14. WFP has been working in Madagascar for 60 years. Focusing on the south and poor urban areas, the country office (CO) addresses the immediate food needs and helps strengthen the resilience of disaster-affected vulnerable populations through unconditional food assistance and food assistance for assets programmes. WFP also provides undernutrition prevention support, supports the treatment of moderate acute malnutrition and contributes to the improvement of education indicators through the school meals programme. To ensure the sustainability of its interventions, WFP strengthens capacities of the Government of Madagascar through technical assistance and joint assessments and evaluations in the areas of food security and nutrition, as well as disaster risk reduction.

15. Rome-based Agency (RBA) collaboration had been awarded the 2016 RBA Award of Excellence for Country-Level Collaboration. Several memorandum of operations (MOUs) and joint activities with UN sister agencies, most of which operate in Madagascar with a strong development focus, are in place.

16. The CO underwent a major scale-up two years ago as it had not been part of the 1992/1993 nor the 2002/03 regional drought emergency responses. It had been affected by the suspension of most donor activities during the 2009-2014 political crisis. During the Southern Africa El Niño Level Three (L3) response between June 2016 and February 2017 it revised the protracted relief and recovery operations (PRRO) to address the food security situation of communities in the Deep South. This aimed at reaching over 940,000 beneficiaries, with a gradual shift foreseen from relief assistance to resilience and recovery towards the end of the response.



17. Having approached the El Niño slow-onset emergency from a resilience perspective¹, WFP was initially not acknowledged by its partners as an expert for shock-responsive safety nets in Madagascar. During the roll-out of a Government/World Bank-funded safety net in 2017, WFP was asked to discontinue cash-based interventions in a number of communities in the Androy and Anosy regions. Solutions to the challenges of the Deep South, where WFP is the only UN agency with a long-standing deep-field presence, are currently outlined in an 'Integrated Development Strategy for the Deep South', to which WFP's contribution was initially limited due to its reputation and humanitarian profile.

18. At the end of 2017 the CO consolidated the ongoing activities under PRRO 200735, DEV 200733, Special Operation 201070 and trust funds into a temporary Interim Country Strategic Plan (t-ICSP). Initially reflecting only ongoing activities, a first revision in the summer of 2018 incorporated cluster activities. Further budget revision is ongoing to adjust beneficiary numbers to the current IPC outlook.

19. The t-ICSP aims at supporting the government in achieving the following strategic outcomes with a broad variety of activities, intervention strategies and transfer modalities:

- Populations affected by natural disasters have access to adequate food and nutrition during/in the aftermath of crises.
- School children in southern and central regions receive safe, adequate and nutritious food throughout the year.
- Malnourished populations in targeted districts have improved nutritional status in line with national targets.
- Vulnerable communities, smallholder farmers in crisis-prone areas have increased resilience to shocks.
- Government institutions and the humanitarian community in Madagascar are supported in their efforts to improve the effectiveness and efficiency of crisis response and prevention.

20. Taking into consideration the findings of the Zero Hunger Strategic Review, officially presented by the Ministry of Economy and Planning in July 2018, and the recommendations from evaluations and internal reviews, the CO was, at the time of the audit, starting the design of the CSP 2019-2024. It had also started the implementation of its new Resilience Strategy, closely linked to the finalization of the government's Integrated Development Strategy for the Deep South, to which WFP is now actively contributing. Further, the CO was again augmenting its emergency response capacity in light of most recent IPC projections².

Objective and scope of the audit

21. 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 Madagascar. 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.

22. 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 a risk assessment exercise carried out prior to the audit. The scope of the audit covered the period from 1 January 2017 to 31 August 2018. Where necessary, transactions and events pertaining to other periods were reviewed.

23. The audit work reviewed governance, resource management, delivery, support functions, partnership and advocacy areas as well as cross-cutting aspects, whereby audit testing focused on general food

¹ <https://www.wfp.org/content/el-nino-undermining-resilience-southern-africa-food-nutrition-security-february-2016>

² <http://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1142896/?iso3=MDG>



distribution as well as malnutrition prevention and treatment activities. Other programme activities were subject to limited testing (including follow-up of second line of defence observations).

24. Taking into account the CO's risk register (RR), findings of WFP's second line of defence functions, as well as the independent audit risk assessment carried out by OIGA, the audit work was tailored to the country context and to the objectives set by the CO in its t-ICSP. Detailed testing of the emergency response under SO1 and nutrition interventions under SO3 of the t-ICSP allowed for assessing governance, risk management and controls for both WFP's humanitarian response capacity as well as its positioning to address root causes.

25. Building on comprehensive oversight findings, programmatic reviews and technical support recommendations reported by WFP's second line of defence, the audit focused on five risk themes, for which key controls were tested: (1) adequacy of resourcing (staff/funding) and structure, with considerations for a (2) decentralized set-up; sufficiency of (3) planning for efficient delivery; risks related to (4) coordination and collaboration with partners, as well as (5) a crosscutting approach to integrity throughout all processes.

26. Detailed testing under SO1 followed a line of inquiry whether processes and controls were adequately designed and implemented to efficiently and effectively deliver crisis response without affecting overarching resilience-building objectives set by the CO. Detailed testing under SO3 reviewed the adequacy of control design and implementation, to position WFP as a reliable partner in providing longer-term solutions. The CO, with support of the RB, was in the process of reviewing and adjusting business processes to enhance efficiency and effectiveness and to orient the office from a focus on crisis response towards a comprehensive strategy for shock-responsive social protection that aims at building the resilience of vulnerable communities, including those affected by climate change. Acknowledging the efforts and direction, the audit identified control design and implementation weaknesses for the period under review: ongoing change management and related communication challenges, reactive planning and cycle management and timing as well as resource constraints were identified as common root causes.

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 **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.

28. 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

29. The 2018 RR was reviewed during the CO's annual performance plan mid-term review and during a visit of WFP's Chief Risk Officer in August 2018. OIGA used the risks outlined in the CO's RR and in programme design documents with their respective mitigation actions, as well as other inputs into risk management, as a basis to assess the risk management maturity of the CO. While contextual risks have been adequately identified, several risks and cross-cutting root causes outlined in this report were either not documented or documented elsewhere (for example, the cash-based transfer (CBT) risk register), and thus not escalated through the formal RR reporting process (refer to observations 1, 4, 8). However, the Regional Bureau in



Johannesburg (RBJ) has been aware of risks and performed oversight and support missions during the audited period. The missions identified gaps, which should be used by the CO for reassessing the effectiveness of risk mitigation actions. The CO would benefit from reviewing the RR to include operational and financial risks associated with the ongoing change processes, the complexity of the programme portfolio and its sustainability. The latter are further impacted by donor earmarking and supply chain complexity and as such require continuing efforts to leverage the benefits of joint programming within the United Nations Country Team (UNCT).

Data quality

30. Challenges related to data quality which were identified during the audit are reported in observations 4, 5, and especially 6. They derive both from corporate shortcomings in systems integration that result in cumbersome and error-prone manual data management (for example: lack of common denominators between COMET, WINGS/ LESS and the invoice tracking system (ITS) negatively impacting reconciliations) as well as from in-country data communication infrastructure (insufficient bandwidth at sub-office (SO) or antenna-levels leading to delays in data entries in COMET, WINGS, and fleet management system).

31. Data not timely available (for example: long outstanding cooperating partner reports), shared only late/last-minute (expiring grants or open items) or not easily accessible or clear (commodity/ resource availability and utilization) weakened decision-making, leading to work-flow inefficiencies.

Observations and actions agreed

32. Table 1 outlines the extent to which the 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.

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

**Priority of
issues/agreed
actions**

A: Governance and structure	
While the L3 declaration for the El Niño-induced drought in Southern Africa resulted in a scale-up of the in-country presence, subsequent challenges in positioning WFP as a contributor to shock-responsive safety nets and in the Integrated Development Plan for the Deep South negatively impacted programme delivery, especially in reaching CBT beneficiary targets.	
While strategic objectives and positioning are being readjusted, the CO has started implementing its t-ICSP with a new Resilience Strategy, which has been elaborated with the support of RB/HQ. The CO is currently developing its 2019-24 CSP, departing from a past focus on crisis response. On-going structural changes and redistribution of tasks between the CO, SOs and antennas preceded IRM organizational readiness steps (skills gap analysis, post classifications), requiring further enhancements in structure and reporting lines; additionally, the current change process needed better change communication to enhance accountabilities and consideration of staff capacities.	
<i>1 Change management and communication</i>	<i>Medium</i>
<i>2 Organizational structure</i>	<i>Medium</i>



B: Resource Management	
The current portfolio is characterized by a high degree of programmatic and supply chain complexity with very diverse processes to follow with workforce limitations, and at the same time by constraints due to earmarking and activity-specific funding. Resource management practices, for which roles and responsibilities change with the IRM roll-out, need strengthening, as do resource-based planning and resource mobilization. Room for improvement was also noted in attracting, retaining and developing staff.	
<i>3 Resourcing for a complex/diverse portfolio</i>	<i>High</i>
<i>4 Human resources management and well-being</i>	<i>Medium</i>
C: Delivery	
Recognized by partners for successfully preventing famine in the Deep South and for delivery in hard-to-reach locations, the t-ICSP shifts the programme towards recovery and resilience. It is characterised by a huge variety of activities, transfer modalities and intervention areas. The CO faces shortcomings in monitoring and evaluations (M&E), which are needed to better support decision making and advocacy. The new resilience strategy, to be piloted in selected communities, aims at strengthening programme integration and linkages, which would also benefit from more effective performance monitoring. The resilience strategy was at initial stages of roll-out at the time of the audit.	
<i>5 Performance monitoring for validation of decision-making / advocacy</i>	<i>Medium</i>
D: Support functions	
In the new IRM organizational set-up, efficient and effective communication between programme and support functions (supply chain, finance and admin) is critical. While the CO had made efforts to clarify the respective roles and responsibilities, by introducing new committees for joint decision-making and investing in the use of SCOPE, COMET and LESS, the audit reconfirmed the need for further improvement of internal work flows and planning for informed decision-making, already highlighted in extensive support and oversight missions by RBJ.	
<i>6 Work flows and data integrity</i>	<i>Medium</i>
<i>7 Planning</i>	<i>Medium</i>
E: External relations, partnerships and advocacy	
Although a 'Delivering as One' country since 2015, joint programming, including resource mobilization, remain to be realized. Having gained momentum with the Zero Hunger Strategic Review and in the process of reconciling approaches in CBT, safety nets and resilience approaches with other actors, the CO needs to ensure participation and alignment with UNCT programme design processes and adherence to WFP's partnering principles to foster synergies, impact and sustainability of interventions.	
<i>8 Collaboration and coordination with UNCT and government priorities/timelines</i>	<i>Medium</i>

33. The eight observations of this audit are presented in detail below. Management has agreed to take measures to address the reported observations³. 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.

³ 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, delegation of authorities, segregation of duties, management and supervision of field operations, and mechanisms for management oversight and risk management. The audit period covered the end of the corporate L3 El Niño response, which resulted in an expansion of the CO budget and structure, and re-introduced emergency-oriented business practices. It included also the subsequent period during which the CO needed to manage reputational risk and effective positioning of WFP in the humanitarian-development-nexus discussion in Madagascar. The CO started implementing the IRM organizational readiness measures, transitioning internal structures and management tools from project management towards the 5-year CSP portfolio for the period 2019-2024. With this the CO was shifting from needs-based emergency approaches towards resource-based planning for resilience-building, including clear entry and exit triggers for WFP's support to shock-responsive safety nets.

Operating under a t-ICSP structure since January 2018, the audit work focused on assessing the current governance and structural arrangements with a forward-looking view on the upcoming CSP, for which the CO had organized a number of trainings and retreats, introduced new committees and adjusted roles and responsibilities. RBJ was overseeing the transition with extensive technical advice as well as compliance reviews. While CO senior management was stable, there was extensive turnover at head of unit/SO levels. A re-organization of the SO/antenna structure was on-going. Internal communication efforts promoted better understanding of WFP's internal control framework, Annual Performance Plan and RR tools as well as AFAC/PSEA reporting obligations.

Observation 1

Agreed Actions [medium priority]

Change management and communication

The CO underwent far reaching and fast-pace changes: the L3 response to the El Niño-induced drought, which contributed to strengthen the CO's humanitarian profile and emergency-related business practices; the roll-out of the IRM, which introduced new resource management approaches, changes in roles and responsibilities for portfolio management over the duration of the CSP, in alignment with the SDG operating environment.

The IPC outlook for Madagascar and donor support confirm the imperative to respond to the drought emergency in the South (scale-up efforts and coordination with other safety net providers), the CO elaborated, with the support of RBJ and HQ a Resilience Strategy, shifting, with the CSP, from a focus on crisis response towards a comprehensive strategy for shock-responsive social protection.

There is a shared feeling, at all levels of the CO and externally, that the strategic direction and priorities of WFP operations in Madagascar need better and more coherent change management and communication. This was also observed by the audit. The CO focused on the operationalization of programmatic changes and the introduction of new processes, tools and roles. Internally, this involved structural changes (see observation 2), training and system support. However, communication related to actions taken was not always timely. Staff support could also be increased to avoid staff being overstretched. The CO's repositioning was also not fully understood by partners, especially regarding WFP's positioning in shock-responsive safety nets and CBT methodology, which towards the end of the audit period was being addressed (see observation 8).

There have been extensive RB / HQ oversight and support missions. Despite commendable coordination efforts by RBJ, recommended actions were issued from a functional silo perspective requiring significant efforts from the CO management to implement these. The audit noted that only few recommendations were reported as outstanding. The audit found a number of changes were not fully absorbed (refer to observations 5,6,7) and that the shift from needs-based to resource-based delivery planning needed to mature (refer to observations 3 and 8).

Underlying causes: Overwhelming scale and speed of change and limitations in absorption capacity of existing staff; inadequate resourcing (including corporate system support and training) to stem change; management tools and leadership style not adapted to support coordination and resolution of strategic priorities; need for improved communication both to SOs / antennas and externally with partners.

For more effective change management, the CO will initiate the following steps, with the support of RBJ:

- (i) Prepare a CO calendar with key events / workload peaks foreseen for delivering on the t-ICSP objectives (indicating lead-times/due dates required for support functions as well as VAM/M&E, but also completion of RB recommendations);
- (ii) Communicate an action plan/road map with clear milestones for the CO; and
- (iii) Update the CO risk register with risks related to change management and effective positioning of WFP (as further outlined in this report), ensuring effective escalation and RB/HQ involvement where needed.


Observation 2
Organizational set-up

Using the t-ICSP operating environment for a learning-by-doing approach, the CO was adjusting its organigramme, aligning SO/antenna structures to current beneficiary caseloads and incorporating suggestions from two first organizational readiness IRM support missions. The classification of posts according to tasks and required skills, and the related comprehensive analysis of skills gaps, as is foreseen for the upcoming organizational readiness mission to align the workforce structure to the future CSP objectives, had not yet been undertaken.

The audit noted that current structural changes and recruitment preceded formal approval and effective communication of the future workforce structure, affecting staff morale (see observation 4). In some cases, positions were filled by using emergency scale-up practices (for example, Special Service Assignment (SSA) contracting without competition). Aimed at better fitting current operations, the redistribution of tasks between CO, SOs and antennas was driven by beneficiary numbers and preceded resource-based planning considerations of available versus necessary staffing numbers, capacity and equipment (including sufficient bandwidth/connectivity/power supply).

Despite efforts to train staff (including training of trainers approaches), the audit noted that the redistribution of tasks preceded capacities available/assessed, proper access to tools / guidance, and the finalization of SOPs; and was not sufficiently paired with considerations of stronger monitoring and oversight functions in the CO. This led to instances of duplication of tasks (to detect/avoid/correct errors); and the (perceived) mismatch between tasks, staffing time and position grade increase (see observation 4).

With regard to implementation of controls, conflicts of segregation of duties resulted from decentralization to locations with fewer staff:

- Supply Chain at SO/antenna: head of warehouse was also acting as logistics focal point (in the process of being resolved);
- M&E: mission planning and oversight/consolidation of reports through focal points at peer-level was not effective, staffing was not addressing pending recommendations to strengthen M&E (objectivity).
- Administrative staffing was not always sufficient, and oversight by the SO head was not always available, to avoid break-downs of internal control (for example, during administration staff leave periods).

Underlying causes: Multi-layer, fast-pace change processes with insufficient analysis/resource considerations; decentralization of responsibilities not paired with accountability mechanisms.

Agreed Actions [medium priority]

RBJ, in its organizational readiness mission as well as with additional in-country support (HR CST is to start early November 2018), will:

- (i) perform a CSP skills review to assess skill gaps;
- (ii) review the organizational structure for alignment to CSP needs;
- (iii) conduct a contractual review exercise to ensure that appropriate contracts are applied.

The CO with support of the RB will:

- (iv) Align workforce/long-term recruitment decisions with the organizational readiness assessments.
- (v) Ensure that re-distribution of tasks is:
 - a. supported by feasibility assessments (capacity, equipment);
 - b. assessed by HR staff to consider post classification considerations; and
 - c. follows a roll-out plan.
- (vi) Establish an accountability framework (or RACI matrix), for example with responsibilities clarified between CO, SOs and antenna where tasks require work steps at all levels, (see observations 5 and 6 on performance monitoring and work flows); and provide staff with the necessary guidance, training, tools and equipment to discharge their responsibilities.



B: Resource Management

The audit performed tests and reviews of financial and human resource management. This included the recording of financial transactions, facility and asset management, the implementation of new budget management practices as deriving from new roles and responsibilities in country portfolio budget management. A selection of human resources and payroll transactions was tested. The CO has made extensive use of new resource mobilization/donor mapping tools as introduced with the IRM. It facilitated the handover between changing donor relations/reports officers by using Salesforce and was supported by RBJ and HQ in tapping into innovative funding sources (for example, debt swaps). Success stories for effective joint programme delivery (for example Norwegian multi-year grant) were noted to be strongly dependent on donor understanding and flexibility, noting that the humanitarian-development divide required further donor information efforts and advocacy.

Limited in the flexible use of ear-marked contributions, resource management was challenging in view of the programmatic and supply chain complexity of the t-ICSP. The sustainability of the t-ICSP needed to be reassessed considering earmarking constraints as well as very diverse processes to follow with limited workforce. Resource management practices, for which roles and responsibilities change with the IRM roll-out, needed strengthening. Weaknesses of the human resources management, in light of extensive changes and unfavourable staff survey results, affected staff morale and well-being.

Observation 3

Agreed Actions [high priority]

Resourcing for a complex/diverse portfolio

Resource mobilization: The CO faced challenges in fundraising for both relief/recovery and resilience programmes. With joint fundraising approaches not effectively facilitated by the Resident Coordinator office, resource mobilization saw competition and fragmentation among UN agencies, hampering delivery on joint programmes by varying degrees and timelines of funding. WFP was also struggling with transitioning earmarked contributions from relief to recovery and longer-term development interventions:

- Emergency: fundraising opportunities were restrained as there was no government-declared emergency in the southern parts of the country, which required further advocacy by the office;
- Resilience: insufficient availability of seed-funding and flexible multi-year grants, did not allow alignment of funding timelines and programme interventions of the t-ICSP, putting at risk long-term sustainability and WFP's overall positioning on the nexus (for example interventions in resilience pilot communities funded from soon expiring German resilience funds).

Resource management: Not commensurate to the t-ICSP's objectives, resource management faced several challenges. The current t-ICSP portfolio with its programmatic and supply chain complexity, combined with earmarking constraints, required a comprehensive assessment to ensure implementation of controls and sustainability while limiting control and staff overstretch. Decision making was not always considering resources available (for example, underutilized warehouses, budgeting for positions/recruitment decisions). The audit noted that grants monitoring was not pro-active and open items (long open purchase orders (Service Entry Sheets)) were not cleared in a timely manner. Irregular analysis of adequacy of fund reservations/ pre-commitments led to fund blocking and IPSAS non-compliance issues, as well as delays in the wave 2a resource transfer. Other elements indicating room for improvement in resource management included:

- Long outstanding security recommendations because of - among others - budget constraints;
- Outstanding receivable from a vendor, following contractual disagreement (under review by RB/HQ legal department and addressed with updated basic agreement); and
- VAT exemption challenge hindering WFP from sourcing locally (also being addressed).

Underlying causes: Competitive and challenging funding environment; complexity of t-ICSP and funding (ear-marking, Global Commodity Management Facility (GCMF)); new IRM roles: lack/delays in training, tools, reports.

- (i) The CO, with continuing support of RBJ / HQ, will improve fundraising efforts, strengthen its advocacy for non-earmarked and multi-year funding and improve alignment between funding availability and programmatic requirements through an actionable resource mobilization strategy and plan, including fundraising targets building on the partnership action plan (PAP), considering opportunities for coordination with other UN agencies and leveraging on results and achievements in critical activities. (Refer also to observation 8 on collaboration for joint programming and resource mobilization.)

The CO will enhance resource management through:

- (ii) A prioritization exercise of critical activities, considering current and projected funding, reassess the sustainability and linkages of the various activities included in the t-ICSP (future CSP);
- (iii) A review of recurring costs coverage in line with the CPB recurring cost standard and involve the BPO/finance officer in the analyses of fixed/running costs for office structure decisions and scenario planning (refer to observation 1). This will include a prioritized action plan with defined funding sources for foreseen investments in security, premises and facilities for staff wellness.
- (iv) A budget allocation model to facilitate monthly payroll, enhance monitoring of funding of positions to avoid unsustainable cross-subsidization and human resource (HR) decisions (recruitment/ contract conversions) without adapted funding availabilities.
- (v) Dashboards to monitor open items / grant consumption and hold budget owners accountable (refer also to RACI definition and work flow enhancements in observations 5 and 6).



Observation 4	Agreed Actions [medium priority]
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Human resources management and well-being

The audit noted that staff morale and well-being was affected by:

- The Madagascar salary survey results have been contested and brought to senior management attention, including to the International Civil Service Commission (ICSC) in New York. Changes to the salary survey approach are not expected soon, consequently the CO's staff association is advocating for local solutions [transport/canteen];
- Long working hours and efforts were not always perceived as being rewarded in a fair way; cases were noted where staff lost overtime and leave entitlements in order to meet office priorities;
- Career growth and job enrichment pathways were unclear and coupled with a perception of unfairness in recruitment and promotions (see observation 2).

Without adequate change communication and structured learning programme to accompany IRM organizational change, the uncertainties of the change process paired with current salary and working conditions were impacting staff morale. Some training took place, depending upon RB availability, and staff were encouraged to use WeLearn, but the following issues were noted:

- No comprehensive office learning plan existed;
- Cases were noted where training/workshop participation was not capitalized for the office;
- 70:20:10 rule / learning on the job / job enrichment was not adequately implemented;
- No preparatory training was offered for better performing in tests/interviews;
- Completion of mandatory training was pending/late, including by management (now completed).

In managing staff and their development and entitlements, the audit noted that the responsibilities of line managers versus the HR administrative role were not sufficiently clear to management and staff.

Underlying causes: No HR officer (2 assistants [partially away] were inadequate for HR management needs); RBJ support not filling the gap; management practices/tone at the top/leading by example.

RBJ, in its organizational readiness mission as well as with additional in-country support (HR CST to start early November 2018), will:

- (i) Institute a learning and development plan to address any skill gaps before the CSP launch in July 2019; and
- (ii) Assess the longer-term need for an in-country HR officer.

The CO will:

- (iii) Clarify between management, line managers and all staff the roles and responsibilities for
 - a. training and personal growth (and help establish an office learning plan as a monitoring tool);
 - b. leave and overtime management.



C: Delivery

The audit performed tests and reviews of programme management and in-country monitoring and evaluation. Testing and review for crisis response activities under SO1 focused on: (1) prioritization of activities, (2) assessments, planning and targeting, (3) programme implementation including identification and validation of beneficiaries both for in-kind as well as CBT modality. Testing and review for nutrition prevention activities under SO3 focused on assessing WFP as a partner to provide longer-term solutions. Partnership management, M&E, reporting of results, collaboration with other actors and WFP strategic positioning were considered as cross-cutting topics during field visits and desk reviews.

Government counterparts, the Resident Coordinator, beneficiaries and partners met during the audit were positive about WFP delivery. Distribution and project sites visited during the audit were adequately organized and activities were implemented following proper beneficiary targeting, beneficiary identification and crowd control standards. Community leaders were involved in every step and were positive about the community targeting approach, highlighting however the need for further assistance in areas other than food security (refer to section E: Partnerships, external relations and advocacy).

Observation 5

Agreed Actions [medium priority]

Performance monitoring use for validation of decision-making / for advocacy

The CO did not make effective use of performance information for decision-making, corrective actions and streamlining processes, negatively impacting the CO's efforts and positioning as a relevant actor.

Programme (M&E) – While assurance mechanisms were in place for numbers of beneficiaries reached and volumes of commodities distributed, qualitative data, trends and lessons-learned were not sufficiently used by management. When this data was tracked, it was spread across databases and reports, or not effectively consolidated (for example, data captured at antenna level but not visible for the CO). The update of monitoring and evaluation tools was lagging behind, more specifically:

- Post distribution monitoring (PDM) was not implemented as per corporate guidelines; activity managers voiced the need to have process monitoring information more than twice per year;
- The roll-out of questionnaires and other tools to capture performance and to measure impact and sustainability of programmes was delayed;
- Prices in CBT intervention areas were not collected and analysed systematically to allow decision making on necessary changes of transfer modalities or halt of cash interventions (also highlighted by RBJ).

Partners – Partnership management was performed in silos by different programme units with no coordinated central partnership management to facilitate comparing and consolidating partner performance information and to ensure effective field-level agreement (FLA) management and tracking. Changes in partnership presence or coordination/collaboration that was not formalized through FLAs was not captured due to the fragmented partnership tracking tools. Consequently, potential opportunities for expanding the partner base were missed.

Vendors – Performance evaluations were not consistently performed for all vendors (also highlighted by RBJ).

Transporters - Efforts were made to better capture qualitative performance information. The CO had not yet rolled out a comprehensive transport performance monitoring system. Considering the challenging context in which supply chain operates (see also section D: Support functions), performance monitoring is critical to confirm or to correct decisions made (assumptions short-lists, contracting mechanism choice), and to stimulate performance of transporters.

Underlying causes: Insufficient time allocated to performance monitoring; performance management (beyond SPR) not prioritized/incentivised by leadership; vague or changing corporate guidance regarding Corporate Results Framework and management of NGO partnerships.

The CO will:

- (i) Enhance monitoring and evaluation tools and prioritize their use. Include dedicated budget lines for baseline studies, surveys at household levels and ex-post assessments, to allow capturing programme performance and measuring impact and sustainability.
- (ii) Establish price monitoring mechanisms in all CBT intervention areas and produce periodic reports to be used for monitoring and decision making.
- (iii) When finalizing the review of the CO FLA management SOP, enhance CP performance evaluation by ensuring that overall ratings combine assessments of SOs/antennas and assessments at CO-level (activity managers, finance/SC/other support services) to ensure a comprehensive view of CPs with several FLAs.
- (iv) Produce a database with partner (performance) information, by using the recently consolidated FLA tracking sheet. This may be complemented with information on potential (but not yet contracted) CPs.
- (v) Conduct regular performance assessments of all vendors and capture historical performance.
- (vi) Track corporate performance indicators / metrics for transporters (both qualitative and quantitative), ensure continuous monitoring and regular analysis.



D: Support functions

The audit performed tests and reviews of procurement, including planning, contracting and contract management for food and goods and services; commodity and warehouse management; transport management. Focus included collaboration and communication between CO and SOs / antennas and between different departments. Work flows and data flows supporting planning for efficient delivery were reviewed as cross-cutting topics during field visits and desk reviews. The CO had made efforts to implement the recommendations of RBJ's comprehensive oversight mission of May 2018. It had put more emphasis on downstream logistics activities among others by reviving the monthly Supply Chain Working Group to increase efficiency in monthly planning and weekly logistics meetings. The CO had put in place a pilot plan to redistribute logistics tasks between CO and SO/antenna, standardize processes and ensure proper segregation of duties; and had adjusted the transporter selection process.

Observation 6

Agreed Actions [medium priority]

Work flows and data integrity

Efforts have been made recently to improve workflows and data management, and to set up coordination bodies to allow for better planning. Timely delivery remained a challenge⁴ as noted below.

Work flows - work flows supporting distribution planning and general administrative processes were not always properly defined or correctly followed, impacting their effectiveness as they became increasingly ad-hoc and inconsistent, leading to bottlenecks and delays, and putting additional strain on timely delivery.

- Distribution plans (DPs) / food release notes (FRNs) were prepared late;
- In some instances, plans were elaborated at SO level based on needs without validating stock availability;
- FLAs were signed with delays; CP reporting was late, with manual and cumbersome reconciliations between LESS, COMET and ITS. In some instances, supporting documentation not readily available delayed the payment of CP invoices;
- Administrative procedures were not streamlined and/or not considerate of data flows/system constraints (for example, raising of travel requests and micro purchase orders (MPOs), inputting in Global Equipment Management System (GEMS)/Fleet Management System (FMS)).

Data flows and data integrity - Despite the CO's efforts, LESS was not always real-time (in June 2018 approximately 54 percent of transactions were recorded real-time). Difficulties in capturing data in LESS in a timely manner were due to the scale up of operations over the last years and weaknesses of the current organizational structure (see also observation 2). For some locations certain steps in LESS were still managed centrally. Data quality issues in LESS and COMET (for example, FRN numbers not in standard format in LESS, discrepancies in taxonomy between both systems) delayed reconciliation.

Coordination meetings - As a positive practice, the CO revived monthly coordination meetings between the Supply Chain Unit, BPO, Activity Managers and Heads of SOs/antennas in June 2018. Yet the audit noted that Heads of SOs / Antennas did not always participate in the meetings.

Underlying causes: Connectivity constraints at SOs / Antennas; communication challenges between CO and SO / antennas and between departments with regard to frequency, information needed, format, and people involved; on-going changes in organizational structure; interoperability constraints of corporate systems.

The CO will:

- (i) Review delegations of authority to reduce process inefficiencies (for example: sub-delegations for activity managers within approved plans);
- (ii) Formalize a strategy and define supporting procedures to enhance distribution planning, including clarification of the sequence of working steps, timelines, and roles and responsibilities between departments and offices.
- (iii) Review and streamline administrative procedures and address connectivity issues at SO and antenna levels.
- (iv) Put supporting procedures in place to allow for timely reconciliation between COMET and LESS and resolve data quality issues in and between the two systems.
- (v) Ensure sufficient SO / antenna participation in coordination meetings.

⁴ Review of delivery report to CPs and a sample test of 4 months showed that on average 53% of the commodities arrive at the CP after the 25th of the month of the distribution cycle and 28% the month after the distribution cycle.

**Observation 7****Planning**

The audit noted that efficiency was constrained by limited analysis to facilitate planning in the following areas:

Procurement - The commodity procurement plan indicated the needs (quantity and commodity) per activity and per month. However, this was not supported by a documented and thorough market research and analysis of sourcing strategies, considering, for example, national, international and GCMF commodity procurement as well as market intelligence and the most efficient time to procure (for instance, seasonality).

Warehousing - During the field visits it was noted that, while the storage capacity of one warehouse was being extended, another warehouse - considered strategic by the CO and within a few hours drive - had been empty for an extended period. Efforts were ongoing to review and determine the appropriate storage structure to optimally support delivery, however, no formalized and documented storage and pre-positioning analysis was in place.

Transport - The CO recently moved from the tariff system to selection of one transporter per route and per type of transport. The selection of transporters was not supported by a market assessment to identify new transporters (the last Expression of Interest was dated 2016).

Partners - Although programme activities followed a yearly cycle, FLA contracting for 2018 General Food Distribution was delayed and the site visited by the audit could only be served through WFP direct implementation. (Refer to observation 5 on opportunities for expanding the partner base and missed opportunities for replacing poor performing partners/handing over to other actors).

Underlying causes: Reactive rather than proactive planning and cycle management; time and resource constraints; changeovers in Supply Chain leadership.

Agreed Actions [medium priority]

The CO will:

- (i) Support the commodity procurement plan, by conducting market research and analysing sourcing strategies [refer also to section 4.2.1 of the Food Procurement Manual].
- (ii) Conduct an analysis of the necessary WFP storage capacity, considering the upstream and downstream Supply Chain and the future strategic programmatic direction.
- (iii) Conduct a capitalization exercise to verify whether the move away from tariff system had the desired effect and whether categorization of shortlists was effective. Formalise the decision making in a transport strategy.
- (iv) Conduct a market assessment to allow identification of new transporters.



E: Partnerships, external relations and advocacy

The audit reviewed the adherence to the principles of WFP's Partnership Policy beyond contract and performance management of cooperating partners (refer for FLA management matters also to observations 5, 6 and 7): WFP corporately not having a strong track record /system set-up to facilitate joint operations/'Delivering as One' operations, the CO had engaged in a number of joint or complementary activities with other UN entities, yet faced challenges in positioning its service offerings (refer to observation 1). The audit visited joint project sites, met with government, UN and NGO partners and reviewed current approaches for partnering and advocacy, noting that there are many cases of collaboration, which include ILO/UNICEF on education, UNFPA, FAO, WHO on nutrition, FAO and IFAD on various agricultural initiatives as well as with the Government for its emergency framework, for example supporting the national bureau for the management of risks and catastrophes (Bureau National de Gestion des Risques et Catastrophes BNGRC) in setting up systems such as early warning and emergency telecommunications.

New partnership and advocacy tools introduced with the IRM aiming at positioning WFP in the space where the organization can best serve country needs, the audit noted that with the Zero Hunger Strategic Review and with the ongoing process of reconciling approaches in CBT, safety nets and resilience with other actors, WFP was about to overcome positioning challenges and now needed to ensure participation and alignment with UNCT processes to foster impact and sustainability of its interventions.

Observation 8

Agreed Actions [medium priority]

Collaboration and coordination with UNCT and government priorities / timelines

The audit noted that the challenges in strategic positioning outlined in observation 1 negatively impacted partner relations, not only at the strategic but also at the operational level. There were however recognized, active participation in UNCT activities, appreciation for WFP's cluster roles and multiple examples of collaborative approaches and joint activities. Some were growing incrementally at the SO level, others formalized in MOUs at the CO level. Notwithstanding this, partnering considerations were noted to have weaknesses in current programme design and implementation.

Insufficient consideration of opportunities to engage with complementary partners risked negatively impacting delivery and increased the cost of operations. In an emergency situation, especially where needs are larger than food interventions, there is a risk of post-distribution losses and an increased risk of food diversion to markets. Hand-over/exit as well as the transition to resilience interventions become more challenging, as noted in the IPC4 site visited by the audit in the Deep South. As territory had been distributed among the different actors for CBT/safety net interventions, WFP's General Food Distribution was not complemented by or coordinated with other activities or actors (access to water, hygiene).

For development interventions on the other hand, limited visibility and advocacy for WFP's contribution (for example to food transformation activities in WFP-AROPA-FAO partnership) risked diluting the organization's positioning as a credible player with solutions to root causes.

The search for opportunities for complementarity programmes and joint fundraising is not well embedded in the decision-making processes, risking that the CO positions itself without leveraging the Zero Hunger Strategic Review and the now jointly developed Integrated Development Strategy for the Deep South. The latter aims to identify opportunities to rely on others or to hand over where WFP mandate/competences are limited. While other UN agencies await the outcome of the elections and the current UNDAF may be prolonged, CSP design timelines focussed on Executive Board approval. Both government partners and the corporate evaluation of the IRM process highlighted the importance of WFP actively participating in the UNDAF planning and reporting processes.

Underlying causes: Poor communication; insufficient consideration of other actors, partnership choices without screening the landscape and adhering to the principles of WFP partnership policy, corporate weakness in branding/advocating for WFP's role outside the humanitarian field.

The CO will:

- (i) Review its communication strategy by clarifying WFP's services in emergency response, early recovery and development. Building on a clear strategic direction, create advocacy material for different target groups by ensuring that:
 - a) advocacy towards government have a clear framework for emergency intervention;
 - b) communication plan for UN and NGO partners are built around joint causes with complementary solution;
 - c) messaging and talking points for WFP staff at CO, SO and antenna level, clarify WFP's role as contributor to national solutions in partnership with others.
- (ii) Discuss with RB/HQ the timeline for CSP approval for alignment with UNCT coordinated processes.



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.

Categories for aggregation and analysis					
High priority observation	WFP's Internal Control Framework	WFP's Enterprise Risk Management Framework	WFP's Internal Audit Universe	Owner	Due date
3 Resourcing for a complex/diverse portfolio	Control Activities	External relationship	Contributions & donor funding management	CO (with RBJ)	30 June 2019
Categories for aggregation and analysis					
Medium priority observations	WFP's Internal Control Framework	WFP's Enterprise Risk Management Framework	WFP's Internal Audit Universe	Owner	Due date
1 Change management and communication	Control Environment	Governance and oversight	Change, reform & innovation	CO (with RBJ)	31 March 2019
2 Organizational set-up	Control Environment	Governance and oversight	Resources allocation & financing	RBJ CO (with RBJ)	(i), (ii) and (iii) 31 March 2019 (iv), (v) and (vi) 30 June 2019
4 Human resources management & well-being	Control Activities	Employee health, safety and security	Human resources management	RBJ CO	31 March 2019
5 Performance monitoring and its use for validation of decision-making / advocacy	Monitoring Activities	Programme	Performance management	CO	30 June 2019
6 Work flows and data integrity	Control Activities	Business process	Activity/project management	CO	31 March 2019



Categories for aggregation and analysis					
Medium priority observations	WFP's Internal Control Framework	WFP's Enterprise Risk Management Framework	WFP's Internal Audit Universe	Owner	Due date
7 Planning	Control Activities	Business process	Analysis, assessment & monitoring activities	CO	30 April 2019
8 Collaboration and coordination with UNCT and government priorities / timelines	Information and Communication	External relationship	Strategic management & objective setting	CO	(i) 30 June 2019 (ii) 1 January 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 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.
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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.⁵
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.’⁶ WFP recognises five interrelated components (ICF components) of internal control, all of which need to be in place and integrated for them to be effective across the above three areas of internal control objectives.

Table 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)

⁵ An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

⁶ OED 2015/016 para.7



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
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 universe⁷ 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 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.

⁷ A separate universe exists for information technology with 60 entities, processes and applications.



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; 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.



Annex C – Acronyms

AFAC	Anti-fraud and anti-corruption
APP	Annual Performance Plan
BNGRC	Bureau National de Gestion des Risques et Catastrophes
CBT	Cash-based transfers
CST	Consultant
CO	Country office
COMET	Country Office Tool for Managing (programme operations) Effectively
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DEV	Development operation
EMOP	Emergency Operation
ERM	Enterprise Risk Management Framework
FLA	Field Level Agreement
FMS	Fleet Management System
FRN	Food Release Notes
GCMF	Global Commodity Management Facility
GEMS	Global Equipment Management System
GFD	General Food Distribution
GDP	Gross Domestic Product
GRN	Good Receipt Note
HQ	Headquarters
ICF	Internal Control Framework
ICSC	International Civil Service Commission
ICSP	Interim Country Strategic Plan
IPC	Integrated Food Security Phase Classification
IRM	Integrated Road Map
ITS	Invoice Tracking System
L3	Level Three (Emergency Classification)
LEG	Legal Office
M&E	Monitoring and evaluation
MOU	Memorandum of Understanding
MPO	Micro Purchase Order



NGO	Non-Governmental Organizations
OIG	Office of Inspector General
PAP	Partnership Action Plan
PDM	Post Distribution Monitoring
PRRO	Protracted relief and recovery operations (PRRO)
PSEA	Prevention of Sexual Exploitation & Abuse
RACI	RACI matrix (Responsible, Accountable, Consulted, and Informed)
RB(J)	Regional Bureau (Johannesburg)
RBA	Rome-based Agencies
RR	Country Office Risk Register
SCOPE	WFP's beneficiary and transfer management platform
SO	Strategic Objective
SO	Sub-Office
SOP	Standard Operating Procedure
SSA	Special Service Assignment
t-ICSP	Temporary Interim Country Strategic Plan
UN	United Nations
UNCT	United Nations Country Team
USD	United States Dollar
VAT	Value-added Tax
WFP	World Food Programme
WINGS	WFP Information Network and Global System