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# Internal Audit of WFP Operations in Peru

Office of the Inspector General  
Internal Audit Report AR/19/18

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# Internal Audit of WFP operations in Peru

## I. Executive Summary

### WFP Peru country office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of operations in Peru that focused on the period 1 January 2018 to 30 June 2019. Expenditures in Peru totalled USD 5.1 million over the audit period. The audit team conducted the fieldwork from 5 to 16 August 2019 at the country office premises in Lima. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.
2. The country office is implementing its Country Strategic Plan 2018-2022, strengthening its position as a key government partner on food security and nutrition. At the national level WFP estimates 16.4 million beneficiaries could be potentially reached through the Country Strategic Plan, which implies a significant strategic shift in WFP's role in Peru from providing relief assistance in times of emergency to supporting the Government's own response capacities.
3. In 2017, the country office carried out an organizational alignment exercise to ensure that the right organisational structure, talent and skills were in place to support the implementation of the CSP. In 2019, the country office increased its CSP budget by 130 percent, from an original USD 13.3 to 31 million.

### Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **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 auditee.
5. The audit report contains one high and three medium priority observations, one of which has an agreed action directed at the corporate level.
6. The country office successfully managed the transition as a facilitator of change by positioning itself as a key Government counterpart in the fields of nutrition and disaster risk management. The country office piloted programmatic activities, innovating from WFP's traditional operating model, from which the organization could learn and benefit as country capacity strengthening activities become mainstreamed. However positive, this transition delayed the operationalization of the monitoring framework and limited monitoring and advocacy activities relating to the Venezuelan migration wave.
7. The audit found that the country office was generally compliant with WFP's rules and regulations and support functions were adequately monitored and managed. Yet late operationalization of a monitoring framework, resulting from efforts to articulate a logical framework centred around the theory of change, impaired the country office's ability to capture the results and impact of its activities over the first two years of the implementation of the Country Strategic Plan.



## Actions agreed

8. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

**Kiko Harvey**  
Inspector General



## II. Context and Scope

### Peru

9. Peru has a population of 32 million and was ranked 89 out of 189 countries in the 2018 Human Development Index. Consistent economic growth combined with investments in infrastructure, education and health, and an expansion of social programmes, have resulted in significant reduction in hunger and poverty, including in chronic malnutrition from 29 percent in 2007 to 13 percent in 2016.

10. Despite these successes, Peru faces several challenges in its fight against hunger and high levels of inequality. According to the country office's (CO) strategic review of food security and nutrition, and WFP's assessments in 2016, some of the challenges to achieving zero hunger included:

- i) Increasing difficulty in reducing malnutrition;
- ii) High and rising anaemia levels; and
- iii) Persistent and deep pockets of food insecurity and vulnerability, particularly in rural areas.

11. Peru is one of the most disaster-prone countries in the world: in 2016 an estimated 18.6 million people – 59 percent of the population – lived in areas highly vulnerable to natural disasters and climate change, a figure expected to reach 21.9 million – 66 percent – by 2021. Moreover, Peru is facing one of Latin America's most significant migratory crisis in recent history with the arrival of 768,000 refugees from Venezuela as of June 2019; Peru is now the second largest recipient of Venezuelan migrants after Colombia.

### WFP operations in Peru

12. The CO focuses on the root causes of hunger and malnutrition by mobilizing society as a whole to improve the nutrition of vulnerable populations, and by helping them and the Government deal with shocks through resilience-building activities that ensure sustainable food security.

13. The Country Strategic Plan (CSP) aims to provide technical assistance to the Government, with activities being implemented by the responsible ministries and local authorities. WFP's role is to pilot new approaches and tools, ensuring evidence and lessons learned are formally handed over and disseminated. The CSP aligns with Peru's 2021 Bicentennial Plan, its National Plan (2010-2022), the National Plan for Disaster Risk Management and Plan for Food Security and Nutrition (2015-2021), as well as the United Nations Development Assistance Framework (2016-2021) under three strategic objectives as follows:

- Strategic objective 1 (SO1): The Government, the private sector, academia and civil society in Peru are mobilized to jointly contribute to eradicating hunger and malnutrition by 2030;
- Strategic Objective 2 (SO2): Vulnerable groups most at risk of prevalent forms of malnutrition in Peru - stunting, anaemia, overweight and obesity – have improved nutrition status by 2022; and
- Strategic Objective 3 (SO3): National and subnational institutions have strengthened capacities to manage food security, disaster preparedness and response and social protection policies and programmes by 2022.

14. At the national level WFP has estimated 16.4 million beneficiaries could be potentially reached by the CSP (Tier 3 beneficiaries<sup>1</sup>, with potential overlap), including all children under 9 years of age, pregnant and lactating women, and overweight or obese adolescents and adults, under SO1; 2.2 million malnourished

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<sup>1</sup> Tier 3 includes persons benefiting from the impacts of WFP programs, such as capacity building and technical assistance, food fortification, etc. Corporate guidance on how to count Tier 3 beneficiaries was still under development at the date of issuance of this report.



children under SO2; and policy support in disaster preparedness and response is expected to benefit 7.1 million people at risk of food insecurity resulting from natural disasters under SO3. The needs-based plan for the period 2018-2022, was approved for USD 13.3 million, further increased to USD 31 million for the CSP duration.

15. At the time of the audit planning 48 staff were working in the CO.

### Objective and scope of the audit

16. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to WFP operations in Peru. 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.

17. 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.

18. The scope of the audit covered the period from 1 January 2018 to 30 June 2019. Where necessary, transactions and events pertaining to other periods were reviewed. The audit scope covers all three activities of the CSP. For SO1 and SO2 – activities, the audit has aligned its procedures to inform a corporate internal audit of nutrition<sup>2</sup>.

19. The audit field work took place from 5 to 16 August 2019 at the CO premises in Lima.

## III. Results of the Audit

### Audit work and conclusions

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

21. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of effective / satisfactory<sup>3</sup>. 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 auditee.

### Gender Maturity

22. The Office of Internal Audit, in supporting WFP management's efforts in the areas of gender, separately reports its assessments or gaps identified in both areas.

23. The overall representation of women in the office was good (67 percent), including in management positions. The audit noted positive gender balance initiatives notably through the gender transformation programme. Whilst 75 percent of criteria were not met at the assessment phase in 2018, most actions due as of July 2019 had been implemented.

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<sup>2</sup> Actions arising from the audit in relation to nutrition activities requiring action by the CO have been reported under this specific CO audit report; other observations for corporate consideration and actions under the Nutrition thematic audit.

<sup>3</sup> See Annex B for definitions of audit terms.



## Assurance Statement

24. WFP uses first-line management certifications whereby all directors, including country and regional directors, must confirm through annual assurance statements whether the system of internal controls for the entity they are responsible for is operating effectively. At a consolidated level the assurance statements are intended to provide a transparent and accountable report on the effectiveness of WFP's internal controls. The audit reviewed the annual assurance statement for 2018 completed by the CO and compared the assertions in the statement with the findings of the audit.

25. The review indicated that CO management did not report any significant gaps in the design, implementation and operating effectiveness of internal controls for the period January to December 2018. In general, the findings of the audit did not highlight any material deviation.

## Observations and actions agreed

26. Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are classified according to the areas in scope established for the audit and 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
<b>A: Governance and structure</b>	
<i>No observations raised</i>	<i>N/A</i>
<b>B: Delivery</b>	
<i>1 Consolidate and systemize practices in capacity strengthening activities</i>	<i>Medium</i>
<i>2 Operationalisation of the monitoring framework</i>	<i>High</i>
<i>3 Emergency preparedness</i>	<i>Medium</i>
<b>C: Resource Management</b>	
<i>4 Contribution management practices</i>	<i>Medium</i>
<b>D: Support functions</b>	
<i>No observations raised</i>	<i>N/A</i>
<b>E: External relations, partnerships and advocacy</b>	
<i>No observations raised</i>	<i>N/A</i>
<b>F: ICT</b>	
<i>No observations raised</i>	<i>N/A</i>
<b>G: Cross-cutting</b>	
<i>No observations raised</i>	<i>N/A</i>



27. The four observations of this audit are presented in detail below. Management has agreed to take measures to address the reported observations<sup>4</sup>. An overview of the actions to be tracked by internal audit for implementation, their due dates and their categorization can be found in Annex A.

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<sup>4</sup> Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.





## A: Governance

28. The audit assessed the CO's strategic positioning with the Government and other coordination mechanisms, including plans for the launch of a knowledge platform to systematize and facilitate South-South and Triangular Cooperation initiatives.
29. The CO successfully transitioning through the Integrated Road Map (IRM) and a strategic shift to reposition WFP in the country, despite generating uneasy conditions for staff; it managed to position itself as a key partner for the Government in the areas of nutrition and disaster risk management.
30. Management oversight and delegations of authority were also reviewed, given the relatively small number of staff in some of the CO's units, and were found to be satisfactory.
31. No observations were raised in this area.

## B: Delivery

32. The audit performed tests and reviews of country capacity strengthening (CCS) activities, with a focus on nutrition to align objectives with the ongoing corporate thematic audit on the subject<sup>5</sup>. Methodological components related to the operationalisation of the theory of change and the definition of a social and behaviour change communication (SBCC) strategy were also reviewed. The audit also looked into processes and activities related to the resilience pillar of the CSP, covering disaster risk reduction and social safety nets.
33. The audit performed an in-depth review of monitoring and evaluation processes to ensure alignment of outcome and output indicators to corporate guidance, and to ensure that the CO could capture results to further on demonstrate impact.
34. The audit team interviewed stakeholders from the United Nations Country Team, Government's line ministries, and private donors. The audit noted strong coordination mechanisms between the CO and government entities, donors, Non-Governmental Organizations, academia, and the private sector. These stakeholders recognized WFP as a critical partner to position the fight against anaemia, chronic malnutrition and hunger on the public agenda. Innovative communication channels were used to mobilize society to achieving zero hunger and facilitate the formulation of public programmes and policies.
35. The CO efforts to support the Government also yielded tangible results in the field of disaster risk management capacities. These results included the use of specific indicators at the national level and the strengthening of coordination mechanisms to respond to emergencies.

### Observation 1: Consolidate and systemize practices in capacity strengthening activities

36. *Memorandum of Understanding* – The CO's counterparts at the Government level were the Ministries of Health, Development and Social Inclusion, Defence, and External Relations. The audit observed that standard memoranda of understanding were not in place for most partners, and existing agreements did not include clauses such as anti-fraud, sub-contracting, and liability. There was overall a lack of technical documentation (budget, plan of activities); as a result, roles and responsibilities, as well as deliverables from

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<sup>5</sup> Consolidated internal audit report on Nutrition to be issued early 2020.



each partner, were not clearly defined. The lack of defined agreement, and the high turnover of staff at the government level, posed a continuity risk to the CO's programme activities.

37. *Capacity need mapping* – The CO initiated a capacity needs mapping of institutional partners in late 2017, to identify the most relevant opportunities for engagement on CCS activities. This exercise had not been finalized at the time of the audit. Existing guidelines and tools for capacity gaps and needs assessments were difficult to apply and adapt in view of the programmatic activities. As a result, the CO had limited documented evidence regarding the selection of counterparts and participants to training, in particular at the local level. This limited the CO's ability to demonstrate impact and continuity of CCS activities implemented at national, regional and local levels.

38. *Social and behaviour change communication* – SBCC is a key component of WFP operations in Peru and its effort to help the Government reduce all forms of malnutrition (anaemia, stunting, overweight and obesity). The CO contracted the services of a media consulting company to produce TV and radio shows to reach the public. However, SBCC processes were only partially documented with the risk of failing to capture and report actual results on all outcomes. The approach to SBCC had yet to be streamlined throughout all activities of the CSP.

Underlying cause(s): Non-compliance with standard agreement templates; Limited application of guidance available on partnership management throughout the CCS lifecycle (assessments, design); Lack of time and internal expertise to establish a comprehensive SBCC strategy; Communications strategy under development to include elements of SBCC.

**Agreed Actions** [Medium priority]

The CO will:

- i) Establish coordination mechanisms with Government partners, and define an operational work plan defining roles, responsibilities, and requirements;
- ii) Liaise with HQ programme units to roll-out the capacity needs mapping of partners; and
- iii) In alignment with the communications strategy, finalize the SBCC strategy, including the internalization of expertise.

**Timeline for implementation**

- i) March 2020
- ii) September 2020
- iii) May 2020

**Observation 2: Operationalisation of the monitoring framework**

39. The strategic shift enabling the establishment of WFP as a key government partner was not supported by a monitoring strategy when the CSP 2018-2020 was launched. There were significant monitoring gaps for most of the first half of the CSP's implementation period, compromising the CO's ability to monitor results and demonstrate its value proposition in the development agenda (a high risk identified in WFP's corporate risk register).

40. With the support of a consulting company, the CO finalized in May 2019 its logical framework, including baseline criteria for all indicators (data for baseline criteria was yet to be collected for some indicators, 18



months into the CSP implementation cycle). As of August 2019, a few recommendations were still to be implemented. The audit noted that in some instances outputs generated from other interventions, such as pilot projects at the local level and through social safety nets, were neither captured nor reflected in the logical framework.

41. As a result, nearly half of the CO's indicators were not visible in the standard annual country report, diminishing the CO's ability to demonstrate results and impact. In addition, a communications strategy to give visibility and articulate the CO's results had not yet been developed.

42. The audit noted inconsistencies between the results measured and the programmatic objectives at the local level. For example, for pilot projects in the field, training activities were tracked using output-based indicators (e.g. number of staff trained) but not complemented by long-term outcomes to demonstrate impact.

43. Standard operating procedures and monitoring tools for sampling and data collection were not developed. Whilst the indicators had been updated in COMET, key output and outcome baseline data and partnership information was missing. The monitoring strategy and plan was being finalised at the time of the audit.

Underlying cause(s): Misalignment of the CO's monitoring framework and the corporate results framework; Delayed development of a theory of change and definition of baseline criteria to measure the achievement of the CSP objectives; Gap in the use of relevant corporate results framework indicators to capture and report intervention results; Inadequate corporate indicators for CCS when the CSP 2018-2020 was defined.

**Agreed Actions** [High priority]

The CO will:

- i) Finalize its monitoring tools and plan;
- ii) Update COMET records to reflect all programmatic and partnership information; and
- iii) In alignment with the communications strategy, evaluate how to give visibility to indicators which will not be visible in the annual country report.

**Timeline for implementation**

- i) March 2020
- ii) November 2019
- iii) December 2019

**Observation 3: Emergency preparedness**

44. The CO was diligent in implementing the minimum preparedness actions required by corporate policies, with an implementation rate at 90 percent as of July 2019. However, Cash Based Transfer (CBT)-readiness was not fully achieved, lacking micro-assessments and long-term agreements with financial service providers, as well as showing limited training of staff on CBT processes. The CO could thus face significant challenges in implementing direct assistance through CBT if so required.

45. The 2018 risk assessment, forming the basis of the emergency preparedness and response package (EPRP), was fully completed, yet presented gaps such as the risk of seismic events. In 2019, CO's preparedness measures related to the seismic risk were not all documented in the regular EPRP process as



some were aiming at strengthening the capacity of the Government, especially with the finalization of a joint concept of operations.

46. Peru is currently hosting close to 800,000 Venezuelan migrants, a situation that the CO identified as their most significant contextual risk in the 2019 EPRP. The CO, implementing a CSP focused on capacity strengthening activities, had not defined a set of independent and objective criteria to assess the vulnerability and food insecurity of migrant populations to form the basis for advocacy with the Government. Although some country-level and regional qualitative studies were carried out in 2019, monitoring activities were limited and quantitative, and data was disaggregated and insufficient to assess the needs of host and migrant populations.

47. The CO's position, supported by the Regional Bureau in Panama (RBP), was that WFP would not provide direct assistance to migrant and host populations unless formally requested by the Government. This position was not well understood or shared by the United Nations Country Team and may put WFP's perceived impartiality at risk.

Underlying cause(s): CSP has prioritized capacity strengthening activities to support and assist the Government; WFP's EPRP is not designed to incorporate capacity strengthening activities; Peru is an upper middle-income country and aims to deal with emergency with its own capacities.

**Agreed Actions** [Medium priority]

(a) The CO will:

- i) Finalize the implementation and periodic review of minimum preparedness actions;
- ii) In coordination with RBP, define a robust plan to assess vulnerability and food insecurity of populations affected by the migration wave; and
- iii) Reassess the CO's position and communications strategy regarding the migration wave, in coordination and coherence with the UNCT.

(b) OSE, in coordination with appropriate HQ units, will assess how capacity strengthening actions should be visible in the emergency preparedness process.

**Timeline for implementation**

(a)

- i) December 2019
- ii) March 2020
- iii) May 2020

(b) November 2019

## C: Resource management

48. The audit reviewed and tested the organizational alignment to ensure staff skills and capacity were available to implement the CSP, following the IRM transition and strategic shift to reposition the CO. Recommendations following an organizational realignment exercise in 2017 and their implementation had been followed up. The audit performed compliance checks on a sample of recruitment processes as a significant number of staff were on-boarded in 2018.



49. The audit team followed up on RBP's oversight mission recommendations related to budget management. The audit also completed an analysis of budget consumption rates.

#### Observation 4: Contribution management practices

50. *Overdue contributions* – The audit noted unpaid contributions from the Government led to a precarious financial situation for the CO until January 2012, when USD 1.4 million in overdue accumulated Government contributions (i.e. the equivalent of four years of Direct Support Costs -DSC-) were collected. The contribution agreement with the Government of Peru did not restrict the allocation of resources across budget lines. Accordingly, the CO determined a DSC programming rate in its corporate budget planning tool 50 percent lower than the actual rate, to allow for accelerated spending. As of July 2019, the CO's DSC spending rate stood at 26 percent, compared to a programming rate of 11 percent. This situation may be challenging the full cost recovery principle, whereby all donors contribute equally to direct and indirect support costs.

51. *Manual budget management* – The audit noted that the CO worked with spreadsheets for budget monitoring and reporting activities on a few contributions earmarked for CCS, which proved time-consuming and error-prone.

Underlying cause(s): Delayed collection of contributions; Donor conditions; Corporate systems not designed to address specific donor reporting requirements.

#### Agreed Actions [Medium priority]

The CO will:

- i) Consult with HQ units, Legal, PG and RMF to ensure the use past contributions from the Government of Peru are in line corporate directives and guidelines;
- ii) Review its DSC implementation rate in the next budget cycle; and
- iii) In consultation with RMFC, review the classification of the CO's pot-relevant contributions and processes for preparation of donor-specific financial reports, in line with applicable corporate guidance.

#### Timeline for implementation

- i) June 2020
- ii) December 2019
- iii) December 2019

## D: Support functions

52. The audit performed tests and reviews of the procurement process, in particular for consultant services and specialized services related to the CO's communication activities. Given the CO's focus on capacity strengthening activities, there were no transport and logistics processes in the scope of the audit.

53. No observations were raised in this area.



## E: External relations, partnership & advocacy

54. The audit performed tests and reviews of processes for assessing and managing the risk of partnering with the private sector. Nutrition is a key programmatic area of the CSP; the audit reviewed the CO's role and participation in the SUN (Scaling Up Nutrition) Network and SUN Business Network in Peru.

55. A comprehensive Partnership Action Plan was formulated to accompany the transition to the CSP. Private entities or foundations represented a significant portion (around 50 percent in value) of the donor base.

56. The CO was successful in engaging and partnering with private entities, both as donors and as stakeholders under SO1, to mobilize all actors to eradicate hunger and malnutrition by 2030. For instance, the CO instituted the Business Consultative Committee and actively participated in the Annual Executive Conference organized by the National Institute of Business Administration to enhance synergies between the Government and the private sector, to finance and implement projects that sought to reduce anaemia, chronic malnutrition and obesity in Peru.

57. No observations were raised in this area.

## F: ICT

58. The audit performed tests and reviews of how segregation of duties was supported by an adequate definition of profiles and roles in the Enterprise Resource Planning (ERP) system. Governance arrangements for the CO's websites, as well as the IT disaster recovery plan, were reviewed.

59. No observations were raised in this area.

## G: Cross-cutting

60. The audit performed tests and reviews of knowledge and information management, and how gender was integrated in human resources management, programme design and implementation.

61. The CO supported the knowledge sharing process by promoting an internal active knowledge sharing culture and providing "ready to share" materials to enhance and make available the knowledge to all staff and stakeholders.

62. The CO piloted and implemented unique approaches for capacity strengthening and advocacy that could be leveraged in other countries with a similar business model. Opportunities were identified by auditors to accompany the CO's knowledge management transformation journey with a documented roadmap including clarification of roles and responsibilities, systems architecture, and dedicated resources.



## Annex A – Summary of observations

The following tables shows the categorisation, ownership and due date agreed with the auditee for all the audit observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

High priority observations	Categories for aggregation and analysis:				Implementation lead	Due date(s)
	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic: Risks (ERM) (GRC)	Processes			
2	Operationalisation of the monitoring framework	Monitoring & evaluation	Programme risks	Country capacity strengthening	CO	i) 31 Mar 2020 ii) 30 Nov 2019 iii) 31 Dec 2019

  

Medium priority observations	Categories for aggregation and analysis:				Implementation lead	Due date(s)
	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic: Risks (ERM) (GRC)	Processes			
1	Consolidate and systemize practices in CCS activities	Technical assistance & country capacity strengthening	Programme risks	Country capacity strengthening	CO	i) 31 Mar 2020 ii) 30 Sep 2020 iii) 31 May 2020
3	Emergency preparedness	Emergency preparedness and support response	Programme risks	Preparedness	CO	(a) i) 31 Dec 2019 ii) 31 Mar 2020 iii) 31 May 2020
					HQ	(b) 30 Nov 2019
4	Contribution management practices	Budget management	Business process risks	Finance and budget	CO	i) 30 Jun 2020 ii) 31 Dec 2019 iii) 31 Dec 2019

## Annex B – Definitions of audit terms: ratings & priority

### 1 Rating system

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 Priority of agreed actions

Audit observations are categorized according to the priority of agreed actions, which serve 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.

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.

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>6</sup>

<sup>6</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.



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

### 3 Categorization by WFP's audit universe

WFP's audit universe<sup>7</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.3: WFP's 2019 audit universe (themes and process areas)**

A	Governance	Change, reform and innovation; Governance; Integrity and ethics; Legal support and advice; Management oversight; Performance management; Risk management; Strategic management and objective setting.
B	Delivery	(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.
C	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.
D	Support Functions	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.
E	External Relations, Partnerships and 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.
F	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.
G	Cross-cutting	Activity/project management; Knowledge and information management; M&E framework; Gender, Protection, Environmental management.

### 4 Categorization by WFP's governance, risk & compliance (GRC) logic

As part of WFP's efforts to strengthen risk management and internal control, several corporate initiatives and investments are underway. In 2018, WFP updated its Enterprise Risk Management Policy<sup>8</sup>, and began preparations for the launch of a risk management system (Governance, Risk & Compliance – GRC – system solution).

As a means to facilitate the testing and roll-out of the GRC system, audit observations are mapped to the new risk and process categorisations as introduced<sup>9</sup> by the Chief Risk Officer to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

<sup>7</sup> A separately existing universe for information technology with 60 entities, processes and applications is currently under review, its content is summarised for categorisation purposes in section F of table B.3.

<sup>8</sup> WFP/EB.2/2018/5-C

<sup>9</sup> As per 1 January 2019, subsequent changes may not be reflected in 2019 audit reports.



**Table B.4: WFP’s new ERM Policy recognizes 4 risk categories and 15 risk types**

1	Strategic	1.1 Programme risks, 1.2 External Relationship risks, 1.3 Contextual risks, 1.4 Business model risks
2	Operational	2.1 Beneficiary health, safety & security risks, 2.3 Partner & vendor risks, 2.3 Asset risks, 2.4 ICT failure/disruption/attack, 2.5 Business process risks, 2.6 Governance & oversight breakdown
3	Fiduciary	3.1 Employee health, safety & security risks, 3.2 Breach of obligations, 3.3 Fraud & corruption
4	Financial	4.1 Price volatility, 4.2 Adverse asset or investment outcomes

**Table B.5: The GRC roll-out uses the following process categories to map risk and controls**

1	Planning	Preparedness, Assessments, Interventions planning, Resource mobilisation and partnerships
2	Sourcing	Food, Non-food, Services
3	Logistics	Transportation, Warehousing
4	Delivery	Beneficiaries management, Partner management, Service provider management, Capacity strengthening, Service delivery, Engineering
5	Support	Finance, Technology, Administration, Human resources
6	Oversight	Risk management, Performance management, Evaluation, Audit and investigations

## 5 Monitoring the implementation of agreed actions

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.

OIGA monitors agreed action from the date of the issuance of the report with regular reporting to senior management, the Audit Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, OIGA will issue a memorandum to Management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, OIGA continues to ensure that the office in charge of the supervision of the Unit who owns the actions is informed. Transparency on accepting the risk is essential and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. OIGA informs senior management, the Audit Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



## Annex C – Acronyms

CBT	Cash Based Transfers
CO	Country Office
COMET	Country Office Tool for Managing programme operations Effectively
CCS	Country Capacity Strengthening
CSP	Country Strategic Plan
DSC	Direct Support Costs
ERM	Enterprise Risk Management
EPRP	Emergency Preparedness and Response Package
GRC	Governance, Risk and Control
IRM	Integrated Road Map
OSE	Emergency Preparedness and Support Response Division
RBP	Regional Bureau in Panama
RMFC	Contribution Accounting and Donor Financial Reporting unit
SBCC	Social and Behaviour Change Communication
SUN	Scaling Up Nutrition
WFP	World Food Programme