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# Internal Audit of the WFP Regional Bureau for Latin America and the Caribbean

Office of the Inspector General  
Internal Audit Report AR/21/04

March 2021





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# Internal Audit of the WFP Regional Bureau for Latin America and the Caribbean

## 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 Regional Bureau for Latin America and the Caribbean that focused on the period from 1 November 2019 to 31 October 2020. The audit team conducted the fieldwork from 23 November to 18 December 2020 remotely from Rome. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. In 2018, in response to an advisory report of the Office of Internal Audit and external audit recommendations, WFP initiated a review of the roles and responsibilities of regional bureaus and headquarters functional units. The aim was to enhance support for country offices in facilitating the achievement of the Sustainable Development Goals, with a focus on reinforcing management oversight. An outcome of the review was a set of terms of reference for regional bureaus and headquarters, issued in early 2019, that clarified how the two entities support country offices in a complementary way across three pillars: i) strategic direction and guidance; ii) technical support; and iii) management oversight. The audit looked into processes allowing the Regional Bureau for Latin America and the Caribbean to effectively discharge its role and responsibilities.

3. The Regional Bureau for Latin America and the Caribbean provides direct support to 11 country offices in the region, and calls on headquarters for additional support as needed. In alignment with the terms of reference issued in 2019, it is responsible for: i) strategically positioning WFP in the region and providing country offices with operational and technical support; ii) engaging regional partners and promoting best practices in the region; iii) facilitating emergency preparedness and response; and iv) providing oversight, including assessments of country office performance, risk and compliance.

4. As for the whole of WFP, widespread travel restrictions due to the COVID-19 emergency resulted in significant changes, in various degrees, to the Regional Bureau for Latin America and the Caribbean's provision of guidance, technical support, and management oversight to the country offices in the region over the audit period; most activities were instead carried out remotely to the extent possible.

### Audit conclusions and key results

5. 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, but require improvement to provide reasonable assurance that the objectives of the Regional Bureau for Latin America and the Caribbean should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of Regional Bureau for Latin America and the Caribbean's objectives, but management action is recommended to ensure that identified risks are adequately mitigated.

6. The general consensus of country offices surveyed, regarding the support provided to them by Regional Bureau for Latin America and the Caribbean, was positive. The audit identified numerous positive practices in the three pillars, including: strong communal participation in regional planning; regular communication flows between the regional bureau management and functional units to monitor work progress; and centralized tracking and monitoring of oversight and audit recommendations. The regional bureau also introduced a joint, cross-functional oversight mechanism, and had a well-documented and functioning system of monitoring and support for Emergency Preparedness and Response.



7. Notwithstanding these positive practices, the audit also identified weaknesses in several key areas. The basis for the regional bureau's work, its strategic and operational planning, and enterprise risk management processes were the first areas of concern.

8. While compliant with headquarters guidance and requirements, it was unclear how plans and risk registers were interconnected and contributed in a meaningful way to decision making, allocation of resources, adjustments or to reinforce accountability for performance and delivery. Associated processes required strengthening, not just by action at the regional bureau level, but by headquarters enhancement through better articulation, systemization, standardization and oversight; this in order to improve monitoring and accountability for the achievement of objectives, cost efficiency, and effective risk mitigation or timely corrective action.

9. The weaknesses identified in regional planning and risk management also impacted the fulfillment of the bureau's work across the three pillars of the terms of reference. Strategic direction and guidance as well as technical support were extensively provided and well received by country offices. However, as regards oversight, while the bureau performed periodic missions, it was not fully providing oversight as envisioned in the terms of reference:

- Most regional bureau functional units did not carry out regular or even periodic monitoring of country office performance, risk mitigation, and compliance in relevant functional areas.
- Long outstanding oversight recommendations at the country office level, and a lack of formal consideration for oversight responsibilities in relevant performance assessments that the Office of Internal Audit could assess, suggested a lack of oversight accountability.
- Results of oversight and monitoring were not analysed and fed back into risk management and planning.

10. The Office of Internal Audit noted that several of the observations identified in relation to management oversight had already been raised in a previous advisory report issued in 2017. This suggests that additional courses of action are required at the corporate level to extend the work already started with the development and issuance of the revised regional bureau terms of reference. This would include the finalization of functional area terms of reference and the development of corporate tools and additional guidance.

## Actions agreed

11. The audit report contains one high and two medium priority observations. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates.

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

**Anita Hirsch**  
Acting Inspector General

## II. Context and Scope

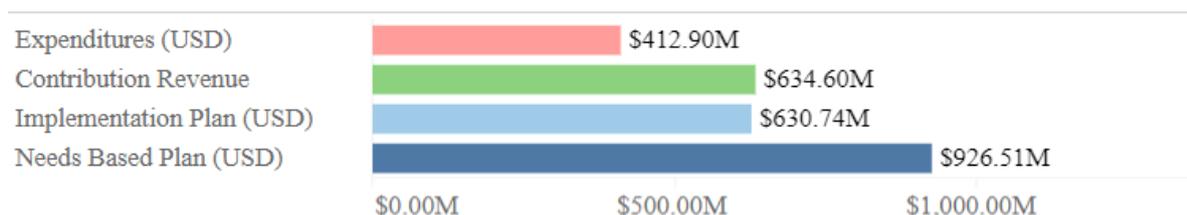
### WFP Regional Bureau for Latin America and the Caribbean

13. WFP’s Regional Bureau for Latin America and the Caribbean (RBP), covering the Latin America and the Caribbean (LAC) region, is comprised of 11 country offices (COs), the RBP itself, and an extension of the regional office with a representation in Barbados. At the time of the audit the RBP office comprised 137 staff, of which 67 were fixed-term, and overall there were 1,285 employees in the region (of which 259 were fixed-term).

14. WFP reached 4.8 million beneficiaries in the region in 2019 through a variety of activities and transfer modalities. The largest activities in terms of expenditure from January 2019 to September 2020, were unconditional resource transfers to support access to food (total USD 222 million), followed by school meals activities (USD 62 million), and institutional capacity strengthening (USD 32 million). The largest COs in the region, according to the expenditures reported for the audit period, are Colombia (USD 156 million), Haiti (USD 55 million) and Ecuador (USD 48 million).

15. Total expenditure, nevertheless, does not necessarily reflect the complexity of regional operations, considering that technical support activities such as institutional capacity strengthening, climate adaptation and risk management, and malnutrition prevention have lower transfer costs than traditional WFP operations (such as those involving substantial food distribution and supply chain activities), but may involve other complexities related to the positioning or availability of WFP technical expertise in specific areas. In relation to these activities, COs in the region may have a relatively higher number of Tier 2 and Tier 3 beneficiaries.<sup>1</sup>

Figure 1: RBP Regional Budget, Resources, and Expenditures for 2019-2020



16. In 2016-17 the Office of Internal Audit (OIGA) conducted, as an advisory assignment<sup>2</sup>, a comparative review of Regional Bureaus (RBs) oversight functions. By reviewing RB management oversight activities, this assignment was designed to: i) contribute to RB capacity building in order to deliver on their monitoring of risk and control functions; ii) identify opportunities for better coordination of first, second and third lines of defence; iii) avoid duplication of efforts, and leverage on the results of each for a stronger risk and control environment of the organization; and iv) foster interaction and coordination between the second and third line of defence through better visibility and understanding of their respective activities.

17. Both this advisory report, and an external audit on RBP carried out in 2018, identified management oversight as the weakest pillar amongst the various responsibilities of RBs. In 2018, in response both to the OIGA advisory and to recommendations following an external audit of decentralization, WFP initiated a review of the roles and responsibilities of RBs and headquarters (HQ) to enhance their support for COs.

18. An outcome of the review was the issuance of comprehensive terms of reference (TORs) for RBs and HQ to clarify how the two entities support COs across three pillars: i) strategic direction and guidance; ii) technical support; and iii) management oversight.

<sup>1</sup> WFP’s interim guidance on Tier 2 and Tier 3 beneficiaries (2020) indicates that: *Tier 2* refers to individuals who have access to assets, knowledge and capacity, commodities and services delivered or transferred in their communities or catchment area as a result of, but not directly through, WFP support; *Tier 3* covers the wider population impacted that could indirectly and potentially benefit from WFP’s technical assistance and support to government policies, systems and national programmes.

<sup>2</sup> Comparative Review of the Oversight Functions of Regional Bureaux: Final Report – AAR-17-01.



## Objective and scope of the audit

19. The objective of the audit was to provide assurance to the Executive Director on the effectiveness of the governance, internal control, and risk management processes at RBP, in particular with regard to its roles of: i) strategic direction and guidance; ii) technical support; and iii) management oversight. Such audits are part of the process for providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes.

20. The scope of the audit included selected key process areas which were assigned an initial rating of medium and high priority, focusing on RBP's fulfilment of its role as per the defined 2019 RB TORs, as well as the crosscutting areas of environmental management and gender. The audit covered the period from 1 November 2019 to 31 October 2020. Where necessary, transactions and events pertaining to other periods were reviewed.

21. 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.

22. The audit field work took place from 23 November to 18 December 2020, and was carried out remotely from WFP HQ in Rome due to COVID-19 travel restrictions.

## III. Results of the Audit

### Audit work and conclusions

23. The audit work was tailored to the context of the region and to the objectives set by the RB, taking into account the RB's risk register, findings of other WFP oversight functions, as well as an independent audit risk assessment.

24. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / some improvement needed**<sup>3</sup>. 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. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area, but management action is recommended to ensure that identified risks are adequately mitigated.

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

## Observations and actions agreed

25. 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 Management</b>	
<i>1 Operational, strategic and financial planning, monitoring and reporting</i>	<i>Medium</i>
<i>2 Risk management activities</i>	<i>Medium</i>
<b>B: Strategic Guidance and Direction</b>	
<i>No observation</i>	<i>n/a</i>
<b>C: Technical Support</b>	
<i>No observation</i>	<i>n/a</i>
<b>D: Management Oversight</b>	
<i>3 Provision of oversight</i>	<i>High</i>
<b>E: Cross-cutting</b>	
<i>No observation (Refer to paragraphs 49 to 53)</i>	<i>n/a</i>

26. The three observations of this audit are presented in detail below.

27. 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 by WFP's risk and control frameworks 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 and management

28. The audit performed a review of the RB's governance and management, including of how it planned, monitored and reported on its finances, strategy and operations. This included, amongst other things, reviewing and testing the functioning of committees, financial and operational plans and reports, and risk management activities.

29. The audit identified a number of positive observations in this area, including strong communal participation in RB planning through unit break-out planning sessions and a staff-wide retreat, generating information used to draft the annual performance plan (APP). Regular communication flows between RBP management and functional units in the form of unit head meetings were intended to help monitor the progress of work and the achievement of objectives. Some units/teams, such as Analysis and Monitoring, also had a strong work-planning process that clearly identified the timing and resources for all of the team's activities; the unit workplan was periodically revised and used to track progress throughout the year.

30. The Finance and Administration Unit (FAU), as Risk Focal Point for the RB, had been tasked with overseeing the implementation of enterprise risk management (ERM) within RBP; all Unit Heads were involved in reviewing and updating the RBP risk register on an annual basis, generally as part of other activities for the creation of the APP. Since 2020, at the direction of HQ, key risk indicators (KRIs) have been created by each functional area.

### Observation 1 : Operational, strategic and financial planning, monitoring and reporting

31. Corporate guidance recommends (but does not mandate) that as the only planning document for RBs, the APP must clearly state what is to be done by each RB, and how it will be done. It should be substantially based upon the information contained in Country Strategic Plans (CSPs) of COs within the region, and should explain how the RB will provide guidance, support and oversight to COs (as per the three pillars of the 2019 RB TORs). Whilst not a requirement, workplans at RB unit level are strongly recommended, to provide RB units with a way to operationalize APP information and monitor progress towards deliverables.

32. Clear and cohesive planning ensures that both staff and management can be held accountable. As regards senior management, APPs should clearly link to Regional Director compacts. At the more detailed functional unit level, workplans derived from the APP should link to each manager or staff member's performance objectives and assessment.

33. Despite the existing guidance and recommendations on work planning, audit testing identified weaknesses in planning and monitoring at both the corporate and internal RB levels. These impacted the overall ability of management to ensure, and/or report on, the achievement of objectives. It also impacted the ability to hold both RB management and staff accountable.

34. With regard to corporate planning and reporting, while RBP did have a process to identify priorities and develop an APP, objectives and deliverables were not clearly defined for several areas. This was most notably the case for Programmes, RBP's core area of work and the unit to which the most funding was allocated. Key performance indicators (KPIs) for most functional areas, while defined by HQ, generally did not link to the APP's stated objectives, meaning that any measurement did not actually indicate accomplishment towards these objectives. While the new RB TORs implemented in 2019 clearly outline RB responsibility for oversight, the RBP APPs for 2019 and 2020 were not updated or adjusted to take into account this key role, and oversight itself was scarcely mentioned within the plans. The performance compact of the Regional Director also did not specifically reference the three pillars of the RB TORs. In any case, there was little expectation of reporting and monitoring of these APPs at HQ.

35. RBP's financial plan (the Management Plan) did reconcile with the APP. The imprecise nature of business case and investment case descriptions, along with an unclear view as to how each unit planned to use these funds (for example for staff, consultants, travel etc) left an overall unclear picture as to how the financial plan actually supported the APP's implementation and its priorities in the allocation of resources.



36. These weaknesses also extended to RBP's internal processes for planning and monitoring; workplans were not consistently and clearly created for all units across the RB and linkages between the APP and individual unit level work plans were tenuous. As with the APP and the Management Plan, oversight was minimally mentioned (See also Observation 5).

37. Monitoring of each functional unit's progress towards achieving its objectives and deliverables was mostly informal and took place primarily through weekly Management Meetings led by the Regional Director/Deputy Regional Director (RD/DRD). Minutes for some of these meetings were extensive, but the absence of more clearly and explicitly documented progress towards the achievement of deliverables impaired management's ability to hold staff accountable and to ensure that resources and priorities could be timely adjusted to respond to potential obstacles.

Underlying cause(s): Absence of a common corporate requirement and tool to assist in work-planning, and of a consistently applied and thorough APP quality control review process with relevant feedback, both in HQ and within RBP; inconsistently documented development and management review of unit level workplans.

**Proposed Agreed Actions** [Medium priority]

RBP will enhance the consistency and clarity of both its corporate and internal planning, monitoring and reporting by:

- (i) Developing and using a systematic, RB-wide process and tool to document, develop and review unit and sub-unit level workplans that link to the APP and Management Plan, and which include resource allocations; and
- (ii) Using the tool to periodically monitor and report on unit level workplan progress to RB unit heads and management.

**Timeline for implementation**

Implemented

**Observation 2 : Risk management activities**

38. WFP's ERM framework contains three levels: functional; unit/office; and corporate. As offices, RBs are responsible for implementing risk management activities at RB level and within each RB function. As the second line in the ERM framework, they are also responsible for monitoring and overseeing CO risk management activities.

39. The audit identified a number of gaps indicating that ERM did not provide tangible contributions to other planning and decision making processes. It was not fully embedded in operations and required further maturity in order to better ensure that all risks were adequately identified, actively monitored and mitigated. As regards the implementation of ERM at RBP level:

- While RBP generally complied with corporate standards in an annual review and update of the risk register, evidence of more continuous monitoring and analysis of risks was lacking.
- Although Unit Heads were involved in the annual update of the risk register, greater involvement of all staff in the identification, monitoring and updating of risk information would provide greater value and a sense of ownership for key risks, facilitating a more meaningful process which provides clarity on risk owners, clear mitigation activities and, if necessary, the level of resources allocated to mitigation actions.
- RBP had not created functional unit level risk registers, a good practice strongly encouraged in corporate ERM guidance. This impacted its work on both monitoring CO level risks (See Observation 4) and a pilot KRI project. Risks from the KRI project appeared incomplete and did not fully take into account the varied and potentially significant risks that might arise within the various areas (for example for the Programme

Unit, no risks or related KRIs were identified in relation to School Feeding, Emergency Preparedness and Response (EPR), Monitoring or cash-based transfers (CBT)). More thorough risk and KRI identification would enable RBP to better monitor changes in the level of risk and appropriately adjust their efforts around support and oversight and risk mitigation, and also to measure the contribution of oversight to mitigation and risks and ultimately to achievement of RB objectives.

- In the absence of consistent and regular monitoring and oversight, key results from oversight were not being explicitly fed back into the RBP risk register and each functional unit's annual workplan (see also Observation 3 on oversight).

40. With regard to RBP's role in monitoring and overseeing CO risk management activities, the audit identified that:

- While the FAU did review CO risk registers and present their analysis to Heads of Units during their annual planning session, the registers were not formally disseminated for more thorough review and monitoring by each functional area in the RB to allow provision of specific technical feedback.
- While there may have been some continuous risk analysis and monitoring of CO level risks and mitigation measures, this was generally neither explicit nor documented. Neither was it clear how support activities could/should be planned to allow for risk mitigation and reassessment of the levels of risks (see Observation 3 on oversight for additional information).

Underlying cause(s): Absence of functional area risk registers; limited RB staff involvement in RB and CO risk management processes; insufficient dedicated capacity to institutionalise and embed risk management processes; absence of a Senior Regional Risk and Compliance Advisor.

**Proposed Agreed Actions** [Medium priority]

RBP will further embed risk management practices and processes in its regular operations by:

- (i) More proactively involving all relevant staff in the identification and review of RB and CO level risks and related mitigation measures.
- (ii) Continuing work with the ERM Division on the definition of functional unit KRIs, after the pilot project finalization.
- (iii) More clearly linking the monitoring and mitigation of risks to unit level workplans.
- (iv) Together with the ERM Division, assessing the need and resources to proceed with the recruitment of a Regional Risk and Compliance Advisor.

**Timeline for implementation**

30 June 2021

## B: Strategic direction and guidance

41. OIGA performed a review of RBP's strategic direction and guidance but did not identify any observations specific to this area. It is noted, however, that findings referenced in **Observation 1** with regard to operational planning and monitoring also impact the ability to provide a consolidated approach in the provision of strategic direction and guidance to COs.



## C: Technical support

42. OIGA performed a review of RBP's technical support but did not identify any observations specific to this area. It is noted, however, that findings referenced in **Observation 1** with regard to operational planning and monitoring also impact the ability to provide a consolidated and proactive approach in the provision of technical support to COs.

## D: Management oversight

43. The audit assessed RBP's management oversight function, including how oversight and monitoring of COs are planned, prioritized, and carried out across all functional areas. This included a review of the oversight prioritization matrix, oversight reports, and feedback that the audit collected from all COs.

44. The audit identified positive RBP practices in regard to centralized tracking and monitoring of oversight and audit recommendations, in the absence of a corporate tool to facilitate this. RBP had also introduced and continues to engage in planning and executing cross-functional joint oversight missions that include diverse functional areas.

### Observation 3 : Provision of oversight

45. As part of their oversight responsibilities, RBs are tasked with monitoring the performance of COs, including in the implementation of corporate processes and systems, the achievement of CSP strategic results, and overall adherence to standards, rules, and regulations. They are also responsible for monitoring efficient implementation of oversight recommendations, and crucially for the effective mitigation of CO risks.

46. Overall, the audit noted that while RBP did carry out management oversight of COs, gaps in a number of key areas meant that oversight was not fully provided as envisioned in the RB TORs:

- Periodic oversight missions were performed for several functional areas, but with the exceptions of Finance and the Analysis and Monitoring teams, more regular monitoring of CO performance, risk management and compliance with corporate rules and regulations did not occur for most functional units. Aside from being an explicit role included in the TORs, more active monitoring would also provide the RB with a better understanding of CO capacity gaps, thus enabling more proactive and tailored technical support (see also Observation 3).
- Even though RBP introduced a cross-functional joint oversight mechanism where various units participated, oversight mission planning and prioritization was still driven primarily by the Finance function. This was reflected in a risk assessment that did not systematically consider risks for other functional areas.
- Oversight accountability was lacking, both for those tasked with performing oversight and those receiving it. Some COs had long outstanding oversight recommendations, none of which were considered for the relevant Country Director (CD) performance management assessments. Likewise, Unit and Sub-Unit heads tasked with carrying out oversight were not held accountable in their performance assessments for this key area of their work.
- The cross-cutting areas of gender and environmental management and sustainability were not explicitly included in, and considered for, oversight planning and execution.

47. CO feedback suggested that regular monitoring and oversight would be welcome, and would allow them to better identify areas of improvement within their operations. It would also provide assurance to CO management that their activities are aligned with corporate policies and within established risk appetites, ultimately improving efficiency in the use of resources.

48. A number of key observations related to oversight identified in the audit were raised previously in an OIGA advisory report (see paragraph 17), in response to which the 2019 RB TORs were developed. Many of those



findings, however, remain unaddressed at the corporate level, the result of which can be seen through the reappearance of findings in this audit. These relate to: limited corporate tools available to facilitate oversight activities; lack of a defined framework for provision of oversight by RBs (including performance and accountability aspects); inadequate linkages to CO and corporate risk management procedures; blurring of technical support and oversight; and the perception that technical support should take priority over oversight activities.

Underlying cause(s): Insufficient awareness and understanding of the need for periodic monitoring of CO performance and compliance, and absence of a Senior Regional Risk and Compliance Advisor (see action iv of observation 2); blurred line between technical support and oversight; lack of a structured process to identify and monitor key risks at COs, and linkages between corporate risk management tools and procedures and RB oversight; lack of full time resources dedicated to oversight and risk management.

**Proposed Agreed Actions [High priority]**

RBP will improve its compliance with the RB TORs in the area of management oversight by:

- (i) Creating an RB-wide participatory process to identify key CO-level risks to be regularly monitored by RB units.
- (ii) Developing a consolidated RB risk and mitigation monitoring plan.
- (iii) Strengthening the use of existing systems and reports or tools to facilitate RBP's role in regular monitoring of COs performance, risk management, and compliance, including regular follow-up on the implementation of oversight recommendations.
- (iv) Developing and carrying out a structured and regular CO capacity skills gap assessment.

**Timeline for implementation**

30 September 2021

## E: Cross-cutting themes

49. The audit performed a review of the cross-cutting themes of gender and environmental management, including how these functional areas plan and carry out their work and provide relevant guidance, support and oversight to both the RB and COs. Relevant observations as regards oversight are included in Observation 5.

50. Gender maturity: OIGA identified that an international consultant had been actively engaged in providing support to COs on CSP design and quality control over annual country reports (ACRs) in the area of gender. There had also been regular awareness and capacity building on gender initiatives at both the RB and CO levels, as well as efforts to increase overall gender sensitivity in diverse areas of programming.

51. However, the allocation of resources in this area was not in alignment with gender as a core and consistent area of WFP's work. Improved resourcing with a fixed-term staff position, as called for in the Gender Policy, would better ensure consistency and the achievement of gender-related objectives.

52. Environmental management: RBP was the first RB to request and receive a regional advisor on environmental and social safeguards. The RB proactively engaged with the HQ environmental management and sustainability team in order to understand how WFP's environmental and social safeguards should be applied and to request relevant technical expertise to support and advise COs on their implementation and application. RBP also had an environmental reporting focal point who was actively engaged in sustainability building efforts at RBP and the reporting of required environmental sustainability data and information.

53. Progress in the mitigation of environmental and social risks and the achievement of related objectives was however, hampered by the inconsistent funding applied to this area as the advisor role was filled by a consultant.

## 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.

<b>Categories for aggregation and analysis:</b>						
<b>High priority observations</b>	<b>WFP's Internal Audit Universe</b>	<b>WFP's Governance, Risk &amp; Compliance logic: Risks (ERM) Processes (GRC)</b>			<b>Implementation lead</b>	<b>Due date(s)</b>
3	Provision of oversight	Management oversight	Governance & oversight risks	Risk management	RBP	30 June 2021

<b>Categories for aggregation and analysis:</b>						
<b>Medium priority observations</b>	<b>WFP's Internal Audit Universe</b>	<b>WFP's Governance, Risk &amp; Compliance logic: Risks (ERM) Processes (GRC)</b>			<b>Implementation lead</b>	<b>Due date(s)</b>
1	Operational, strategic and financial planning, monitoring and reporting	Performance management	Governance & oversight risks	Performance management	RBP	Implemented
2	Risk management activities	Risk management	Governance & oversight risks	Risk management	RBP	30 September 2021

## 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>5</sup>

<sup>5</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>6</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; Non-governmental organization (NGO) partnerships; Private sector (donor) relations; Public sector (donor) relations.
F	ICT	Information technology governance and strategic planning; Information Technology (IT) Enterprise Architecture; Selection/development and implementation of IT projects; Cybersecurity; Security administration/controls over core application systems; Network and communication infrastructures; Non-expendable Information and Communication Technology (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>7</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 to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

<sup>6</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>7</sup> WFP/EB.2/2018/5-C

**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 actions 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

ACR	Annual country report
APP	Annual performance plan
CBT	Cash-based transfers
CD	Country Director
CO	Country Office
CSP	Country strategic plan
EPR	Emergency Preparedness and Response
ERM	Enterprise risk management <i>OR</i> WFP's Enterprise Risk Management Division
FAU	RBP Finance and Administration Unit
GRC	Governance, risk and compliance
HQ	WFP headquarters
ICT	Information and Communication Technology
IT	Information Technology
KPI	Key performance indicator
KRI	Key risk indicator
LAC	Latin America and the Caribbean
NGO	Non-governmental organization
OIGA	WFP Office of Internal Audit
RB	Regional Bureau
RBP	Regional Bureau for Latin America and the Caribbean
RD/DRD	Regional Director/Deputy Regional Director
TORs	Terms of Reference
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
USD	United States Dollar
WFP	World Food Programme