

# Internal Audit Work Plan 2015

December 2014



**World Food Programme**

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## INTERNAL AUDIT WORK PLAN 2015

1. This document presents the work plan for the Office of the Inspector General - Audit (OIGA) for the year 2015, covering its audit and advisory services as per the Charter of the Oversight Office. The work plan has been prepared in line with the *International Standards for the Professional Practice of Internal Auditing (Standards)* of The Institute of Internal Auditors (The IIA). Relevant *Standards* are presented in Annex 2.
2. The work plan will contribute substantively to the Office of the Inspector General (OIG)'s annual assurance opinion for 2015. It is based on the OIG Strategic Management Plan (2014-2016) which is founded on the WFP Strategic Plan (2014-2017).
3. The OIG work plan will be submitted to the Executive Director for approval in accordance with OIG's Charter. Input was received from the Audit Committee at its session of November 2014 and it was circulated to the EMG for comments.

### I. MISSION OF OIGA

4. The OIG's mission is to provide assurance to the Executive Director on governance, policy, risk, resources, operations and accountability through independent and objective oversight services. Internal Audit includes the examination and evaluation of the adequacy and effectiveness of the entirety of WFP's internal control, governance and risk management processes as well as the quality of performance in carrying out assigned responsibilities to achieve WFP's stated goals and objectives.
5. In order to provide such assurance OIGA has prepared its annual work plan based on the WFP audit universe, input from senior management and an assessment of risks and exposures affecting the organization. Such assessment, aligned to WFP's ERM, control processes, and strategic objectives, and established in coordination with the WFP External Auditor, WFP Office of Evaluation, UN Joint Inspection Unit and the UN-RIAS helps focus OIGA's resources to the organisation's key risks and processes.
6. The annual internal audit work plan outlines a prioritised list of proposed internal audit engagements resulting from the annual risk assessment.

### II. SCOPE OF THE WORK PLAN

7. The scope of internal audit covers the entire organization. It is a risk-based plan and includes risk management processes (both their design and operating effectiveness), and the management of those risks classified as "key" or significant (including the effectiveness of the related controls).

### III. KEY ASSUMPTIONS AND FACTORS

8. In developing the work plan the following factors have been taken into account:
  - Increase in the Level 3 emergencies with resulting financial and operational constraints on the organization as a whole;

- Exposure to emerging risks as the organisation is shifting to new activities and services. This includes the significance of emergency preparedness and response, nutrition, and the concept of food assistance. It encompasses new tools such as cash transfers and vouchers, and the Purchase for Progress initiative.
  - WFP's Strategic Plan 2014-2017, as well as key strategic areas, such as gender and programme development, implementation, monitoring and reporting;
  - Enhanced interagency coordination through the IASC, the cluster system, Delivering as One, UNDAFs, UNDAFs and other mechanisms for collective action to fill gaps and address overlaps;
  - Consideration for low risk country offices, and evaluation of assurance sources over low risk entities;
  - Senior management's interest in drawing lessons from trends and patterns observed in individual country office audits;
  - Planned and ongoing change management projects and their implication on governance, structure and processes;
  - Past and future coverage by the WFP External Auditor and the Evaluation Office;
  - Consideration and redevelopment of an audit cycle over high, medium and low risk entities;
  - Exploration of new ways to audit with limited travel budget (remote auditing, outsourcing field verifications and tests).
9. In view of these factors, the 2015 work plan presents a slight decrease in the number of corporate audits and an increase in the coverage of country offices, including low risk offices; increased focus on advisory services providing assurance over some of the organisation's key risk mitigation processes; thematic audits in country offices with cross cutting consolidation of results for corporate lessons learned and action; cross divisional audits to provide assurance on processes as a whole; further streamlined follow up of management action as a result of the audits; and focus on the quality of OIGA's work.
10. Advisory assignments complement the assurance provided through further analytical work and advice on internal controls and risk management on ongoing change management initiatives, policy development and emerging risks or management concerns.
11. The work plan remains flexible to adapt to emerging risks and changing priorities in 2015. Such changes could be at the request of WFP management, the Executive Director, the Audit Committee or initiated by OIG. Due to extenuating factors or circumstances, proposed audit engagements could be terminated before completion, deferred or cancelled. In particular, recognizing the risks inherent to declared corporate emergencies, OIGA will give priority to providing timely audit services to support corporate emergencies and will adjust the internal audit work plan as needed to deliver these services. If any changes are contemplated to the work plan in 2015, consideration will be given to the relevance of the prospective change to the planned issuance of an annual assurance opinion. Any change to the 2015 OIG Work Plan will be approved by the Inspector General; and the Executive Director and the Audit Committee will be informed.

#### IV. BUDGET AND STAFFING

12. This work plan is contingent on OIG's approved budget of USD 4.3 million for 2015 for internal audit.

13. OIGA's staffing is made up of 21 staff positions: one D1; three P5s; four P4s; seven P3s; three P2s; one P1; and two GS staff supplemented by specialised consultancy, audit and advisory staff and co-source provider resources. Based on the assumption of full staffing for the year 2015, OIGA identified the preliminary audit scope and estimated the level of effort for each audit engagement in the 2015 plan. Time was also allocated to other essential activities, including staff development, recommendation follow-up, advisory services, quality assurance and improvement programme, and management and administration.

Activity	Working Weeks	Percent
Internal Audit	470	56%
Advisory Services	106	13%
Quality Assurance and Improvement Programs	72	9%
Travel and Administration	67	8%
Staff Trainings and Retreat	39	5%
Recommendation Follow-up	38	5%
Management and Representation on various fora	25	3%
Unallocated to retain Planning Flexibility	22	3%
<b>Total Working Weeks</b>	<b>839</b>	<b>100%</b>

14. As in previous years, OIGA will also use external consultants as well as the co-source arrangement that was put in place through an open competitive tender process.
15. In the approved 2015 staff budget OIGA, activities and one P2 staff position were shifted to one-year funding, earmarked to specific activities, thus reducing the flexibility to allocate resources based on priorities. Decrease in the budget also introduces some uncertainty as to the ability to the office to be responsive to WFP's risk universe.

## V. RISK ASSESSMENT

16. Per the IIA Standards, "The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals." Such risk assessment must be undertaken annually with consideration to the input of senior management and the board.
17. In its risk assessment, OIGA worked on defining the audit universe, linking it to key processes and critical risks, assessing probability and impact for the risks/auditable entities identified, and selecting these to be audited in 2015.

## VI. AUDIT UNIVERSE

18. The audit universe is comprised of all WFP potential auditable entities. OIGA identified 145 organisational entities (of which 89 are classified as field entities, and 56 comprise global headquarters including regional bureaux and liaison offices). OIGA also identified a total of 50 business processes owned by various divisions. A separate assessment detailed the IT audit universe (60 entities, processes and applications).

19. OIGA reviewed and updated its audit universe as at September 2014 for the purpose of internal audit planning for 2015. In developing the audit universe, OIGA included: 1) the processes WFP has put in place to achieve its strategic and operational objectives, including business and IT processes; and 2) the organisational entities (both in global headquarters and the field) within which the processes are implemented. The following were also key inputs:

- WFP's results frameworks – the Strategic Results Framework (SRF) and the Management Results Framework (MRF);
- WFP's Strategic Plan 2014-2017;
- The 2014 Corporate Risk Register (CRR), which formalises risks to achieving WFP's objectives in the three spheres of contextual, programmatic and institutional risks;
- Previous internal and external audit, evaluation and Joint Inspection Unit reports;
- WFP directives and internal guidance as well as ongoing initiatives.

## VII. ASSESSING PROBABILITY AND IMPACT

20. All WFP auditable entities were assessed according to the impact of the consequences on WFP operations and the probability of the risk occurring. These were ranked on a three-point scale – high, medium and low.

21. In performing the initial assessment of organisational entities in the field, OIGA reviewed a range of risk factors as indicators of either the impact of the risk should it materialize or the likelihood of the risk to occur:

### Impact factors

- Budget
- Operational Cost
- Resourcing level
- Beneficiary coverage
- Security level
- Reputational Risks (media sensitivity)
- Management identified risk
- For corporate processes, criticality as per the WFP Strategic Plan, and Corporate Risk Register.

### Probability factors

- Complexity of operations
- Corruption perception index
- Management's self-assessment of their internal control processes as per the Assurance Statement 2013
- Rating in the last audit performed.

22. The combination of likelihood and impact provides the overall risk rating (High, Medium and Low).

## VIII. SELECTION OF AUDIT ASSIGNMENTS

23. OIGA obtained input and feedback from major stakeholders (Regional Directors, Divisional Directors, the Executive Management Group and the Audit Committee) on the strategic risks, and made adjustments in consideration of the input received. The 2015 annual work plan includes seven WFP organisational entities identified as having an overall high-risk rating, ten with a medium-risk rating, and three low risk entities.

List of planned Internal Audits

Auditable entity	Risk Category	Type of Audit
<b>Field Audits</b>		
Ethiopia	High	Full Scope Audit
Syria	High	Limited scope <sup>1</sup>
L3 Ebola	High	Full Scope Audit
Afghanistan	High	Full Scope Audit
Central African Republic	Medium	Full Scope Audit
Sudan	Medium	Full Scope Audit
Egypt	Medium	Full Scope Audit
Haiti	Medium	Limited Scope
Uganda	Medium	Full Scope Audit
Myanmar	Medium	Full Scope Audit
Zimbabwe	Medium	Full Scope Audit
Nicaragua	Low	Full Scope Audit
Congo	Low	Full Scope Audit
<b>HQ Audits</b>		
Donor Funding Management	High	Full Scope Audit
Project Budget Management	Medium	Full Scope Audit
Food quality	Medium	Full Scope Audit
Trust Funds	Medium	Full Scope Audit
Construction projects	Low	Full Scope Audit
<b>IT Audits</b>		
Networks and communication	High	Full Scope Audit
ICT governance	High	Full Scope Audit

<sup>1</sup> Limited Scope audit will only cover areas noted for improvement by the previous audit.

## IX. PLANNED AUDIT COVERAGE AND CYCLE

24. In WFP audit planning methodology the level of risk determines the frequency by which areas will be subject to audit and ensures that key risk areas are examined on a frequent basis. The aim of this approach is to ensure a sufficient level of assurance through the optimal level of audit coverage of higher risk areas.
25. OIGA also considers the work and planned schedule of other oversight bodies, including the External Auditor and the Office of Evaluation in the development of this work plan to avoid duplication of assurance efforts and unnecessary disruption of work of the audited entities.
26. OIGA is currently reconsidering its audit strategy to ensure it is realistic. The current strategy, approved by the Executive Director in 2012 provides for a yearly audit cycle for high risk entities, every three years for medium risk entities and every five years for low risk entities. However, these frequencies have proven to be difficult to achieve.
27. OIGA's proposed target audit cycle is the following:

Risk Ranking	Audit Frequency
<i>High Risk</i>	<i>Every two years</i>
<i>Medium risk</i>	<i>Every five years</i>
<i>Low risk</i>	<i>Coverage is achieved through Country Office audits or thematic/focused approach</i>

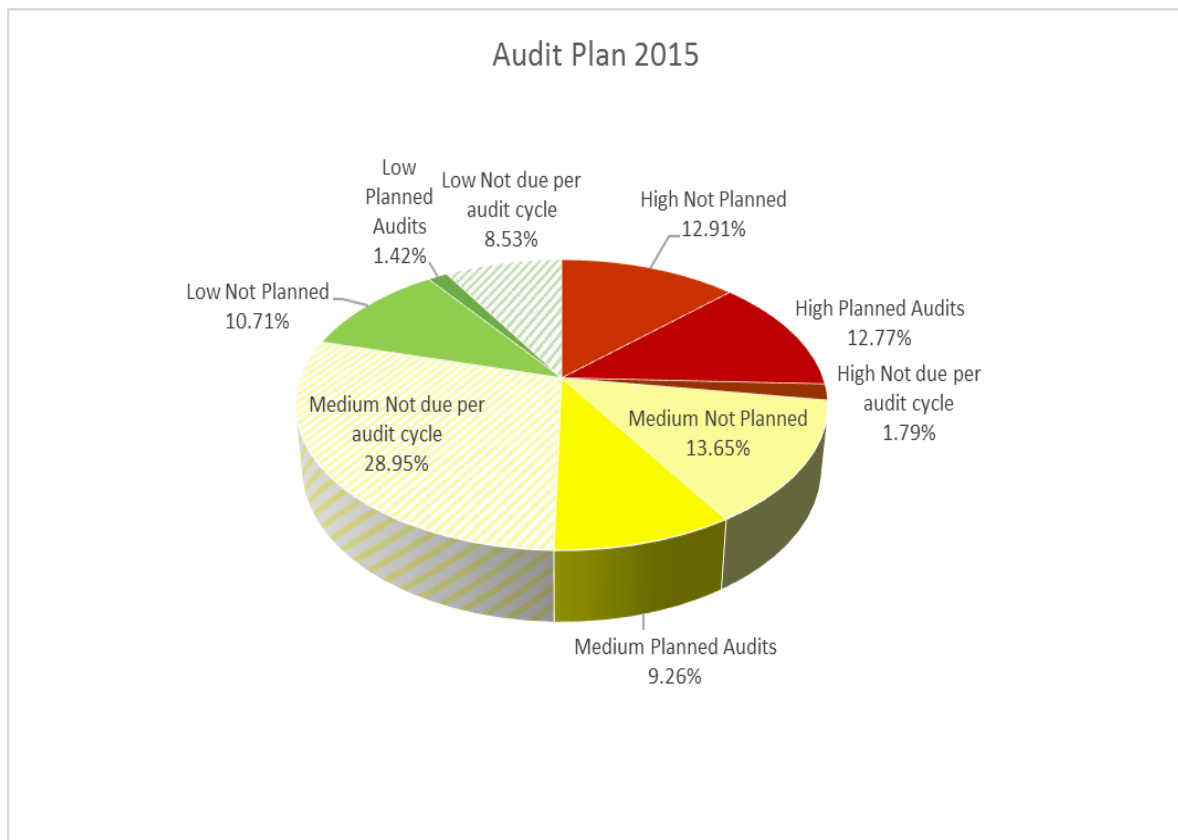
28. These will be reviewed in 2015 when OIGA considers with the Executive Director and the Audit Committee the overall level of comprehensive audit assurance appropriate for WFP.

## X. AUDIT COVERAGE OF FIELD OPERATIONS

29. Nine field entities were considered high risk in the 2015 audit risk assessment. Three high risk entities have been included as full audits and two will be covered by advisory engagements in the 2015 plan (two were audited by OIGA in 2014 and the remaining two will be evaluated in 2015). Details of coverage of WFP high risk entities is provided in Annex 6.
30. Forty nine field entities were rated medium risk and OIGA plans to cover seven as audits and three as advisory engagements in 2015 (another three were audited in 2014 and one will be covered by an Inspection in 2015).
31. Of the 37 field entities considered low risk, an audit of two country offices is planned for 2015.
32. Thematic and HQ audits will provide an additional coverage on an ad-hoc and business process basis.
33. The audit risk assessment is revisited annually in the audit planning exercise and the risk rating of entities evolves with changing circumstances. Thus, for example, an audit entity rated at high risk for 2015 may, in a future risk assessment, be rated at a lower risk and change audit cycle frequency.



34. The extent of planned audit coverage for 2015 in terms of audit-assessed risk is depicted in the chart below.



35. Not included in the above graphic are advisory assignments (which cover in 2015 at least an additional 7.5% of the risks) and the coverage provided by other oversight entities.

## XI. AUDIT COVERAGE OF PROCESS AND CORPORATE ENTITIES RISK

36. OIGA identified 50 business processes in five areas, aligned to the five components of WFP's internal control framework. They were considered in relation to Headquarters or regional entities.

37. Seven high risk areas were identified:

- The Cash and Vouchers process, which was audited in 2014;
- Capacity development and monitoring of cooperating partners, which OIGA plans to cover through country offices thematic reviews;
- Emergency Preparedness and Response, which is assessed through the internal audit of specific WFP emergencies (Ethiopia, Syria, CAR) and the audit on Ebola, the approach and scope of the later remains to be determined based on the operational needs in 2015.
- Operations management, where a comparative review of the oversight function in Regional Bureaux is planned.
- Government partnerships, through an audit of donor funds management.

38. Coverage of IT related risk was performed in a separate risk assessment exercise, the results of which guided the selection of 2015 IT audits. The two high risk areas identified are included in the 2015 workplan: ICT governance and networks and communication. A multi-year IT audit strategy has been defined and will be assessed and validated annually in the OIGA work plan.
39. Further audits will cover medium and low risks either through:
- Planned corporate audits of food quality, project budget management, and trust funds;
  - Thematic reviews in country offices of local procurement, the management of cooperating partners and construction projects. The latter risk is focused only on in a limited number of countries, this drives the rating of the risk down to low risk at the corporate level. However, in individual country offices the risk can be high for those involved in construction projects.
40. From the 13 risks of the WFP corporate register, OIGA will have provided assurance on nine either in 2014 or 2015 through audit or advisory engagements (see annex 5).

## XII. OIGA'S ADVISORY AND OTHER ACTIVITIES

41. In addition to the audits listed above, starting from 2014, OIGA plans to increase the number of advisory assurance services. This is a complementary approach, providing assurance to management in strategic areas where an audit may not be the right tool, particularly in high risk or emerging areas. Advisory services also contribute to overall coverage of the audit universe.
42. These assignments will be decided in conjunction with management as per the Charter of the Oversight Office, and will comply with the IIA Standards that allow and encourage advisory services as long as they "improve management of risks, add value, and improve the organization's operations"<sup>2</sup>.
43. As these assignments are determined based on risk and organizational need, where OIGA wishes to be responsive, this workplan only includes advisory assignments to be conducted in the first few months of 2015. Further assignments will be determined on a needs basis, taking into account OIGA's available resources and emerging risks. See Annex 7 for further details.
44. The key themes that will guide the 2015 projects already agreed to date with management are as follows:
- Delegation of authority
  - Comparative review of Regional Bureaux
  - Logistics Execution Support System (LESS)
45. Additional advisory services, which OIGA has carried out in the past will continue. They include amongst others:

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<sup>2</sup> International Standards for the Professional Practice of Internal Auditing Standard. 2010.C1

- Quarterly detailed analysis of a sample of procurement transactions for the HQ Committee on Commodities, Transport and Insurance (CCTI), performed on a cost-recovery basis.
- Support to donor reviews and verifications.
- Review of draft policies and procedures as and when requested by management.
- Participation as an observer to various governance and oversight committees.

46. Other activities to be carried out by OIGA in 2015 include:

- Quarterly updates to the Audit Committee.
- Regular updates to senior management through continuous dialogue and presentations at EMG.
- Follow-up of internal audit recommendations and reporting on completion of intended management actions.
- Active participation in the meetings of the United Nations Representatives of Internal Audit Services (UN-RIAS) and in the joint meeting with the Internal Audit Offices of the other UN Rome-based agencies.
- Staff training and development.
- OIGA will pursue the mainstreaming of gender audit.

47. In 2015, OIGA will develop and implement a data analytics strategy. This approach will include using data analytics as a tool for undertaking routine field audits as well as thematic audits and advisories. The OIGA will also consider the use of continuous auditing techniques to enhance the value of its advisory services such as CCTI.

### XIII. POSITIVE ASSURANCE

48. The Office of the Inspector General (OIG) and World Food Programme (WFP) management are determining the most appropriate annual assurance opinion that is reasonable and useful for WFP considering the current external and internal environments. A number of key drivers and challenges will need to be considered in informing and issuing such an overall opinion.

49. A more comprehensive audit opinion on a specific area or risk will generally require an expanded scope of audit coverage to ensure that key business processes and areas are subject to some form of assurance review.

50. In the medium term, OIGA's 2015 work plan has been adapted to provide a broader assurance opinion level. This work plan includes a number of audits assessed at medium and low risk levels to ensure more comprehensive field coverage; addresses a number of important organization-wide processes and builds on key advisory work completed in 2014 on management oversight and assurance.

51. A determination of the eventual level of will take into account other forms of management assurance that have been examined in the 2014 internal audit work plan. These include advisories on Enterprise Risk Management; the Internal Control Framework and Assurance Mapping using the Three Lines of Defense model.

#### XIV. THREE LINES OF DEFENSE

52. In 2014 the OIGA completed an assurance mapping exercise to identify key management oversight activities using the global standard Three Lines of Defense model. This provided a useful frame to identify and assess organizational oversight activities as well as an opportunity to discuss with management the importance of their role in contributing to organizational assurance.
53. This advisory is currently under discussion with management but nonetheless a number of insights from this work have been included in the 2015 work plan. These include the review of the Regional Bureaux because of the criticality of their role in providing guidance and oversight to the country offices as well as the need to provide cross cutting consolidation of results for corporate lessons learned from field audits. The assurance map also highlighted the importance of internal audit's work in the area of IT auditing, and in continuing to audit key internal control processes in the areas in which management oversight and assurance does not exist or is not practical to implement.
54. In 2015 OIGA will consider how this model can best be used in WFP as a part of ongoing audit planning and by management as part of the annual internal control assurance statement process.

#### XV. PUBLIC DISCLOSURE OF AUDIT REPORTS

55. Since September 2013, OIG has issued and publicly disclosed over 40 audit and inspection reports. This enhanced transparency and accountability is reflected in the rate of almost 3000 views in the last year.
56. Further, through internal communications the access and distribution of internal audit reports has become WFP-wide. As a result there is enhanced understanding and learning from audits and their recommendations across the organisation.

#### XVI. UN COORDINATION AT THE AUDIT LEVEL

57. OIGA's work plan will include coordinated activities with other internal audit offices of the UN system and work to further expand the basis for joint audit work, based on the recently signed joint audit framework. OIGA will also be looking forward to engage in any common audit opportunities that might be indicated in the December session of the oversight office of the Rome Based Agencies.
58. As in the past, OIGA will be an active member of the group of Representatives of Internal Audit Services of United Nations Organizations (UN-RIAS) and Multilateral Financial Institutions and Associated Inter-governmental Organizations (RIAS).

#### XVII. FOLLOW UP OF ACTION TAKEN BY MANAGEMENT

59. OIGA monitors the status of implementation of management agreed action. In 2015 it will further enhance coordination with RMF and the Regional Bureaux in that regards, as well as regular communication with Country Directors and management. OIGA on a case-by-

case basis closes overdue actions and seek confirmation by management that they accept the risk of not following up on audit recommendations.

## XVIII. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

60. OIGA is committed to improving audit quality. In 2011, an independent external review by The Institute of Internal Auditors confirmed that OIGA generally conforms to the International Professional Practices Framework. These reviews are recommended to be completed at least every five years and OIGA is due for another assessment in 2016. Preparatory work for this assessment will be undertaken in 2015.
61. OIGA plans not only to maintain the standard, but to improve efficiency and effectiveness of internal audit processes, and to enhance the value added by audits and advisory services to better serve WFP. OIGA will ensure the positioning of WFP's internal audit function at the forefront of best internal audit practice in the UN and the private sector.
62. Other quality improvement activities planned for 2015 include enhancements to the format of reports; improved, updated and refocused internal audit work programs; and enhanced use of IT data extraction tools and data analytics in audits. OIGA's learning and development policy will also be reviewed to ensure its strategy and work plan is supported by adequate capacity and skills built internally or acquired externally.
63. As an ongoing quality assurance process, post audit client surveys will be conducted to ensure OIGA obtains feedback to enhance its performance on an ongoing basis.

## Annex 1 - Background

### The World Food Programme (WFP)

#### Vision, Purpose and Strategic Objectives

##### **Vision<sup>3</sup>**

WFP is dedicated to a world free of hunger and malnutrition.

We deliver hunger and malnutrition solutions working in partnership with government and others.

##### **The Purposes and Functions of WFP<sup>4</sup>**

The purposes of WFP are:

- a) to use food aid to support economic and social development;
- b) to meet refugee and other emergency and protracted relief food needs;
- c) to promote world food security in accordance with the recommendations of the United Nations and FAO.

In order to achieve the foregoing purposes, WFP shall, on request, implement food aid programmes, projects and activities:

- a) to aid in economic and social development, concentrating its efforts and resources on the neediest people and countries;
- b) to assist in the continuum from emergency relief to development by giving priority to supporting disaster prevention, preparedness and mitigation and post-disaster rehabilitation activities;
- c) to assist in meeting refugee and other emergency and protracted relief food needs, using this assistance to the extent possible to serve both relief and development purposes;
- d) to provide services to bilateral donors, United Nations agencies and non-governmental organizations for operations which are consistent with the purposes of WFP and which complement WFP's operations.

##### **Strategic Objectives<sup>5</sup>**

- SO 1. Save lives and protect livelihoods in emergencies;
- SO 2. Support or restore food security and nutrition and establish or rebuild livelihoods in fragile settings and following emergencies;
- SO 3. Reduce risk and enable people, communities and countries to meet their own food and nutrition needs; and
  - SO 4. Reduce under-nutrition and break the intergenerational cycle of hunger.

##### **Management Result Dimensions<sup>6</sup>**

- MD 1. People
- MD 2. Partnerships
- MD 3. Processes and systems

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<sup>3</sup> WFP Strategic Results Wheel, 2010.

<sup>4</sup> General Regulations Article II.1. November 2009 Edition.

<sup>5</sup> WFP Strategic Plan 2014 - 2017.

<sup>6</sup> WFP Management Results Framework 2014-2017.

- MD 4. Programmes
- MD 5. Accountability and funding

## **The World Food Programme Office of the Inspector General (OIG)**

### **Mission and Strategic Objectives**

The Office of the Inspector General provides assurance to the Executive Director on governance, policy, risk, resources, operations and accountability through independent and objective oversight services. It also facilitates adoption and implementation of United Nations and private-sector best practices to enable managers to provide assurance on their work to the Executive Director.<sup>7</sup>

The office provides independent internal oversight through internal audits, inspections, investigations and other advisory services, which are carried out with a view to optimizing the functioning of WFP. It reports directly to the Executive Director, and provides information to the Board in the annual report of the Inspector General.

### **Scope of Work**

The scope of work includes all activities undertaken by the WFP. OIG's work seeks to determine whether WFP's network of internal control, governance and risk management processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:

- a. Risks to achieving Programme-wide objectives, results and outcomes are appropriately identified, analysed, managed, including through interaction with the various governance groups;
- b. Significant financial, managerial, and operating information is accurate, reliable and timely;
- c. Staff and management's actions are in compliance with policies, procedures, standards, guidelines, and applicable rules and regulations;
- d. Resources are acquired economically, used efficiently, and adequately protected;
- e. Continuous qualitative improvements are fostered in the Programme's control processes;
- f. Allegations of irregularities (fraud, waste, malfeasance, abuse of authority, etc.) are investigated and that efforts are made to promote an ethical working environment; and
- g. Opportunities for improving management control, cost effectiveness and the Programme's image identified through OIG's work are communicated to the appropriate level of management.

### **Organisational structure**

OIG is organised into the Office of Internal Audit (OIGA) and the Office of Inspections and Investigations (OIGI). This strategy and work plan encompasses the work performed by OIGA.

### **The Office of Internal Audit (OIGA)**

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<sup>7</sup> Report of the Inspector General to the Executive Board, Rome, 6-10 June 2011.

The mandate of OIGA is as follows:

- To provide the Executive Director, through the Inspector General, with independent and objective assurance, in addition to consulting services designed to improve WFP's operations.
- To help WFP accomplish its objectives by bringing a systematic, disciplined approach to evaluate and suggest improvements to the effectiveness of risk management, control and governance processes.

OIGA performs two primary types of reviews - assurance services and advisory services. Assurance services are generally initiated by OIGA while advisory services are principally initiated by client requests. Requests for advisory services are assessed for consistency with OIGA's mandate. Advisory services may be performed on a cost recovery basis if deemed necessary.

OIGA supplements its core group of internal auditors with the services of consultants and consulting firms as required.



## Annex 2 - Relevant Internal Auditing Standards

**Standard 2010 - Planning** - *The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.*

**Interpretation:**

*The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems and controls.*

**Standard 2010.A1** - *The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.*

**Standard 2010.A2** – *The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.*

**Standard 2020 - Communication and Approval** - *The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.*

**Standard 2030 - Resource Management** - *The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.*

**Interpretation:**

*Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.*

**Standard 2050 - Coordination** - *The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.*

## Annex 3 - Internal Control Framework Components and Processes

Internal control framework	Process	Sub-process
Internal Environment	Governance	Strategic planning and performance Organisational structure & Delegated authority Decision Making (Board) Internal Oversight Ethics
Risk Management	Enterprise Risk Management	Enterprise risk management Emergency preparedness and Response
Control Activities	Finance and Accounting	Budget Management Financial Accounting & Reporting Treasury management Trust Fund Management
	Programme Management	Food Security, Markets and Vulnerability Capacity Development Cash and Vouchers Education and School Feeding Programme Design and Implementation Programme Implementation Programme Policy Nutrition
	Transport and Logistics	Landside Transport Shipping Aviation Services Commodity management
	Procurement	Food Procurement Goods & Services Procurement Forward Purchase Facility Purchase for Progress
	Human Resources	Human Resource Strategy Human Resource Management Recruitment
	Travel and Administration	Travel Administration
	Partnership and Coordination	Interagency Coordination and Partnerships NGO Partnerships Government Partnerships Partnerships Policy Private Partnerships
	Security Facilities Management Gender Humanitarian Crises and Insurance Legal Services Operations Management Property and equipment Resource Management	Security Facilities management Gender Mainstreaming Humanitarian Crises and Transitions Insurance Legal Services Operations Management Property and equipment Resource Management Innovation
Information and communication	Information and communication	External & Internal Communications Information and Communications Technology
Monitoring	Monitoring	Programme Monitoring Evaluation

## Annex 4 - WFP's Internal Control Framework

WFP has identified three control objectives<sup>8</sup>:

1. effectiveness and efficiency of operations;
2. reliability of financial reporting; and
3. compliance with WFP rules and regulations.

WFP recognizes five interrelated components of internal control, which need to be in place and integrated for it to be effective across the three areas of internal control objectives noted above:

**Internal Environment** – *this sets the tone of an organization, influencing the internal control consciousness of its staff.* It is the foundation for all other components of internal control, providing discipline and structure. Internal environment factors include: the integrity, ethical values and competence of the entity's staff; management's philosophy and operating style; and the way management assigns authority and responsibility, and organizes and develops its staff.

**Risk management** - *the identification of possible events that generate risks and opportunities to achieving WFP's goals and the actions needed to assess and respond to risks and/or to maximise opportunities.* Risk management is a process, applied by an entity's board of directors, management and other staff designed to identify potential events that may affect the entity. Risks are managed to provide reasonable assurance regarding the achievement of entity objectives.

**Control activities** - *the controls put in place to respond to risks and the policies and procedures that help ensure management directives are carried out.* Control Activities help ensure that necessary actions are taken to address risks to the achievement of WFP's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

**Information and communication** – *the information that must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities.* Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the activity. Effective communication must occur in a broader sense, flowing down, across and up the organization.

**Monitoring** - *the means of assessing the quality of an internal control system's performance over time.* This is accomplished through ongoing monitoring activities, separate reviews or a combination of the two. Ongoing monitoring occurs in the course of operations and includes regular management and supervisory activities. The scope and frequency of separate reviews depends on assessed risks and the effectiveness of ongoing monitoring.

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<sup>8</sup> Draft Financial Resource Management Manual, July 2011.

## Annex 5 - Audit coverage of WFP Corporate Risks

Corporate Risk Register risk	Risk level	Audit approach and coverage
Challenging funding environment	High	Donor funding management audit in 2015
Lack of skills for new initiatives	High	
WFP overextended in multi-emergencies	High	Audit of Level 3 emergencies (Ethiopia, CAR, Syria, Ebola) in 2015 Project budget management audit in 2015
Transfers used for unintended purpose	High	Fraud assessment mainstreamed in the audit planning and execution
Increasing levels of insecurity	Medium	Field security audit in 2014
Volatility of commodity/fuel prices	Medium	
Volatility of currency exchange rates	Medium	Advisory assignment on Treasury Risk Mapping in 2014
Demonstrate key results w/o evidence	Medium	Audit of monitoring in the Country Offices in 2014 and 2015
Confidential information/data loss	Medium	WINGs baseline security audit in 2014 and Network and Communications in 2015
Insufficient strategic and operations integration	Medium	
Negative media coverage	Medium	
Lack of food quality/safety control	Medium	Advisory assignment on Special nutritious food risk mapping in 2014 Audit of Food quality in 2015
Lack of government/ cooperating partner capacity	Medium	Thematic focus in country office audits in 2015

**Annex 6 - Oversight coverage of High Risk Field Entities**

<b>Auditable entity</b>	<b>Risk Category</b>	<b>2014</b>	<b>2015</b>
Ethiopia	High		Planned
Iraq	High		Evaluation
South Sudan	High	External Audit Planned	Evaluation
Syria	High	Partially	Limited scope
Yemen	High	Partially	
Afghanistan	High		Planned
L3 Ebola	High		Planned
Cairo RB	High		Advisory
Nairobi RB	High		Advisory

## Annex 7 - Assurance Advisory Assignments

1. The OIGA has historically delivered both types of services (audit and advisories) following the standards of the Institute of Internal Auditors. Flexible consultancy-type assignments, decided together with management, thereby complements audit assignments, contributing to increasing assurance on WFP's governance, risk and control processes.
2. Advisory activities are referred to by the Institute of Internal Auditors (from now on "IIA") as consulting activities. OIGA advisory assurance assignments may range from formal engagements, defined by written agreements, to advisory activities, such as participating in standing or temporary management committees or project teams.
3. Advisory assurance services are requested by management who wish to utilise the expertise of the OIGA to assist in more focused areas and/or operational processes or agreed jointly between WFP's management and OIG. The scope is generally established by management in consultation with OIGA.
4. Management advisory services allow OIGA the opportunity to partner with management to identify solutions for management issues as they arise, and to ensure consideration of related internal control issues in the processes being reviewed.
5. Detailed Terms of Reference are prepared for each advisory assurance assignment for formal engagements, based on the engagement scope. These TORs are the basis for the appraisal and evaluation of each assignment.
6. Guiding Principles, adapted from the Practice Advisory 1000.C1-1 include principles guiding the performance of consulting activities of Internal Auditors. Below are some of the relevant principles:
  - a. *Better Informed Assurance Opinion*. Internal audit consulting enriches value-adding internal auditing. In terms of providing assurance, both activities add value to inform an annual opinion.
  - b. *Objectivity*. "Internal auditing is not a management decision-making function. Decisions to adopt or implement recommendations made as a result of an internal audit advisory service should be made by management. Therefore internal audit objectivity should not be impaired by the decisions made by management."
  - c. *Internal Audit Foundation for Consulting Services*. Much of consulting is a natural extension of oversight through advice, analysis, or assessments. The internal audit activity is uniquely positioned to perform this type of consulting work based on (a) its adherence to the highest standards of objectivity; and (b) its breadth of knowledge about organisational processes, risks, and strategies.
  - d. *Stakeholder communication*. In the same manner as internal audits, consulting engagements will be presented to senior management and audit committee members as well as the direct client, when recommendations will enhance assurance and inform decision-making.
  - e. *Delineation between Management and Chief Audit Executive (CAE) Roles*. Via consulting, the Director, OIGA enters into dialog with management to address specific managerial issues. OIGA will be responsive to management needs as to

the breadth of the engagement and time frames of an advisory, but the Director, OIGA retains the prerogative of setting the methodology, and the right to report to the EMG and audit committee members when the nature and materiality of results pose significant risks to the organisation.

- f. *Adherence to Professional Standards.* In the performance of all services in OIGA, the IIA's Code of Ethics and the Attribute and Performance Standards of the *International Standards for the Professional Practice of Internal Auditing (Standards)* will be followed. Any unforeseen conflicts or activities should be resolved consistent with the Code of Ethics and *Standards*.
7. Reports and any other deliverable emanating from advisory assurance assignments do not fall under the provision of the Executive Director Circular on Disclosure of Oversight Reports (OED2013/018).
8. However, in compliance with IIA Standards, results will be communicated to management under specific circumstances: *2440.C2 – "[...] Whenever these issues are significant to the organization, they must be communicated to senior management and the board."*
9. In line with the IIA standards, the structure and content of the Advisory Assurance Assignment reports will ultimately depend on the objective of the assignment. *"2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client."*
10. In line with IIA standards, monitoring of recommendations included in advisory work will not be mandatory.