

Cour des comptes  
FRANCE



# EXTERNAL AUDIT **PRESENTATION & WORK PLAN**

INDUCTION SESSION FOR MEMBERS AND  
OBSERVERS OF THE EXECUTIVE BOARD

27 SEPTEMBER 2017

Richard Bellin, Director of External Audit



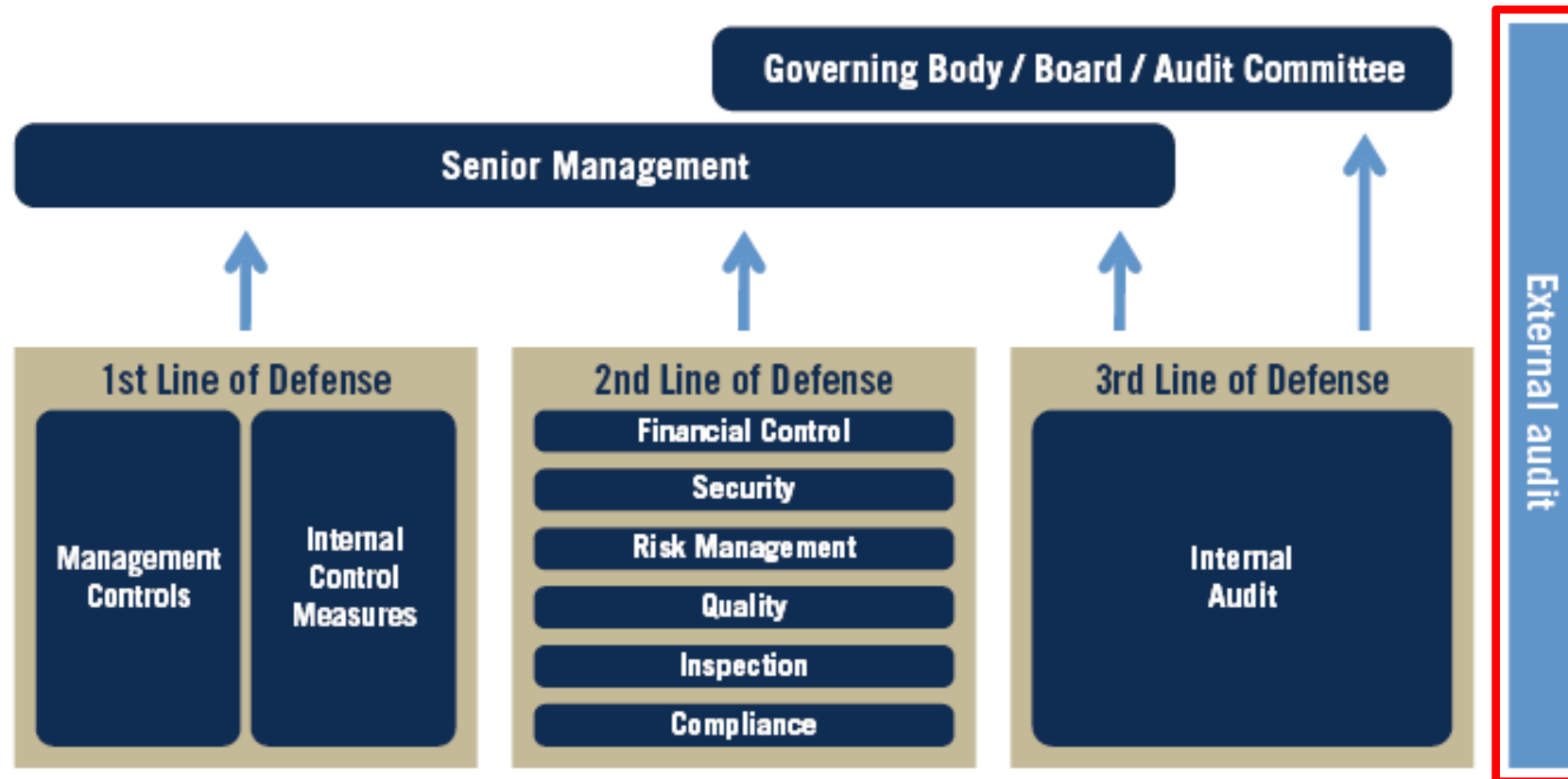
World Food Programme



# EXTERNAL AUDIT



## The Three Lines of Defense Model



Adapted from Institute of Internal Auditors



# EXTERNAL AUDIT



## Positioned outside the organization's structure

**Total Independence from the organization's management**

**Capacity of auditing the organization's overall governance and control structure**

**Risk and scope addressed less extensive than those addressed by the organization's three internal lines of defence**



# EXTERNAL AUDIT



## Financial Audit

The responsibilities of the External Auditor consist of auditing the financial statements of WFP (Article 14.1 of the Financial Regulations) and making observations, if he sees fit, regarding the effectiveness of the financial procedures, the accounting system, and internal financial controls

## Field Audits

Each year, the External Auditor undertakes ten field visits, mainly to country offices and regional bureaux. These audits address the regularity of offices' management and also contribute to the performance audits according to the themes selected. They may also involve the checking of samples selected in line with risks in areas affecting the financial statements.

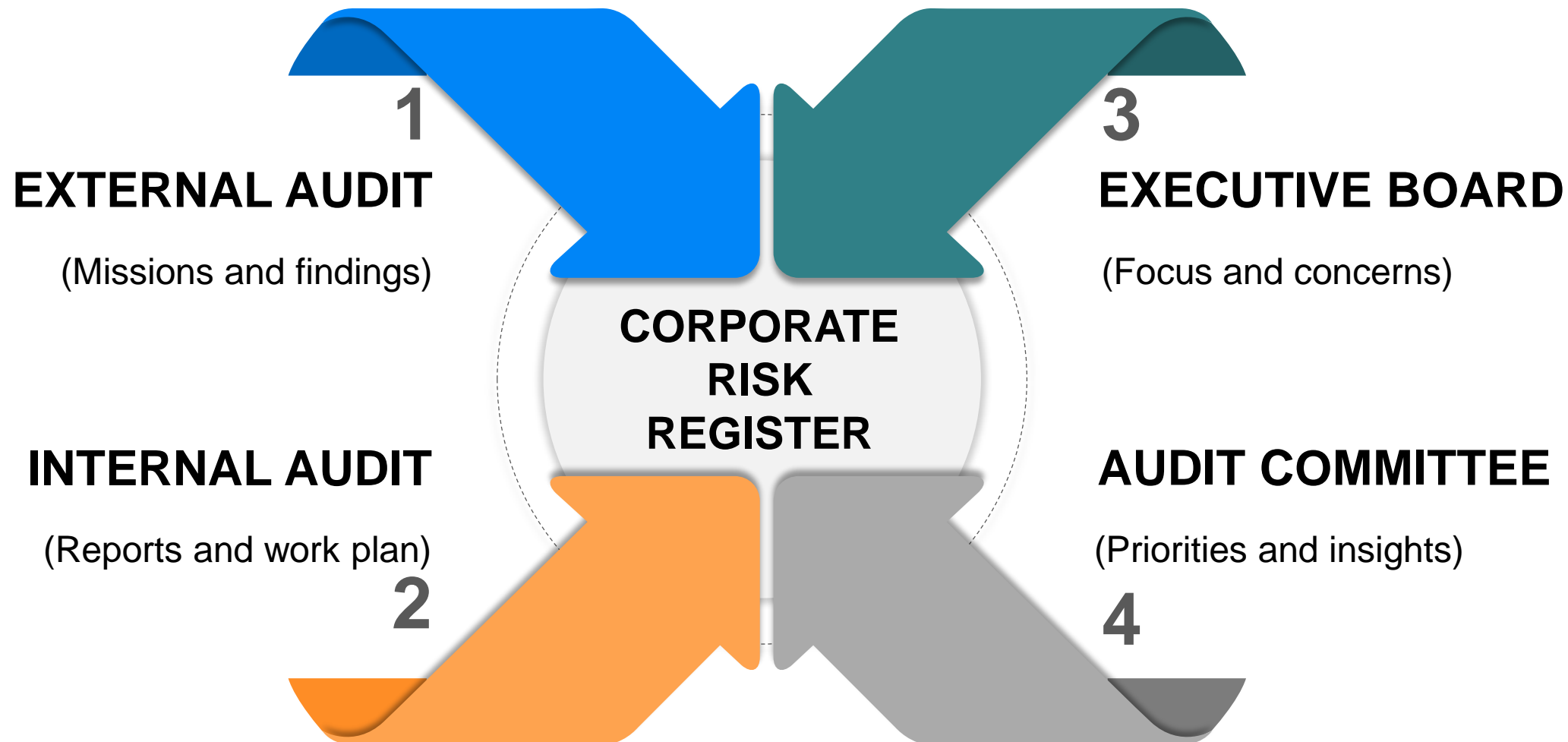


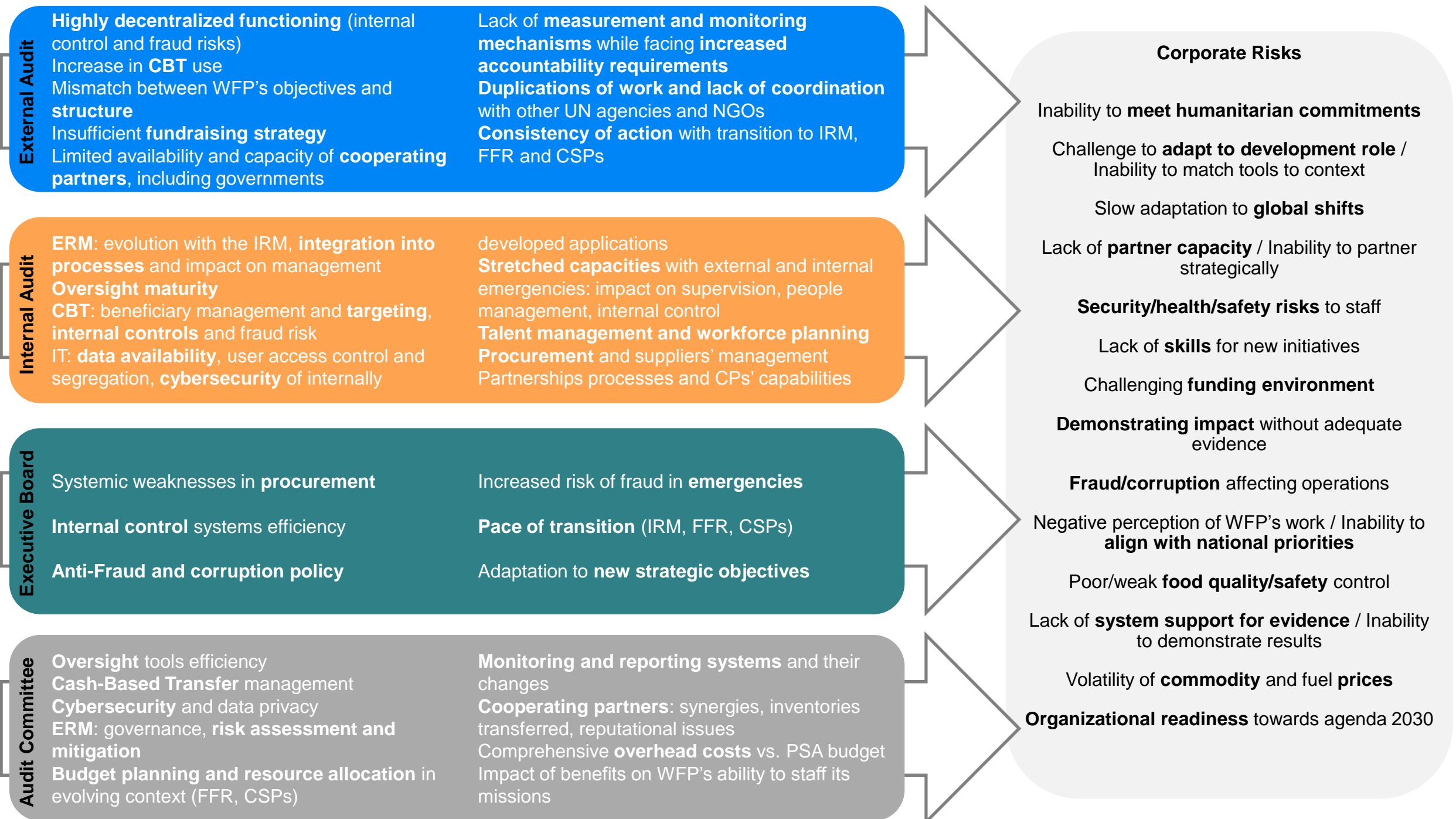
## Performance Audits

Performance audits aim to determine whether, in the areas reviewed, activities are carried out in accordance with the principles of economy, efficiency and effectiveness and whether there is scope for improvement. They also aim to ensure that activities, financial transactions and information are, in all material respects, in conformity with the provisions of WFP's basic texts.

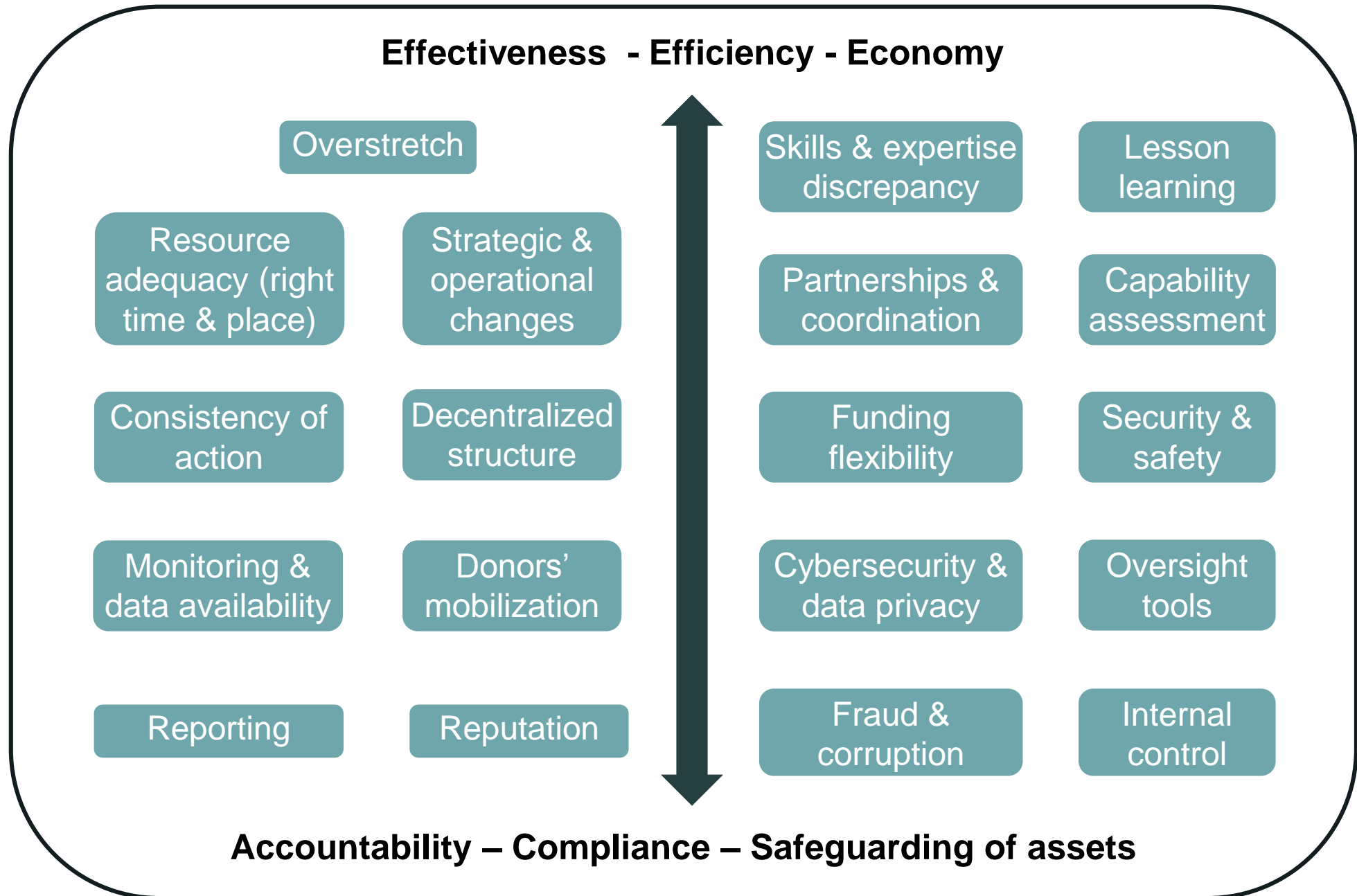


# MULTISOURCE RISK ASSESSMENT





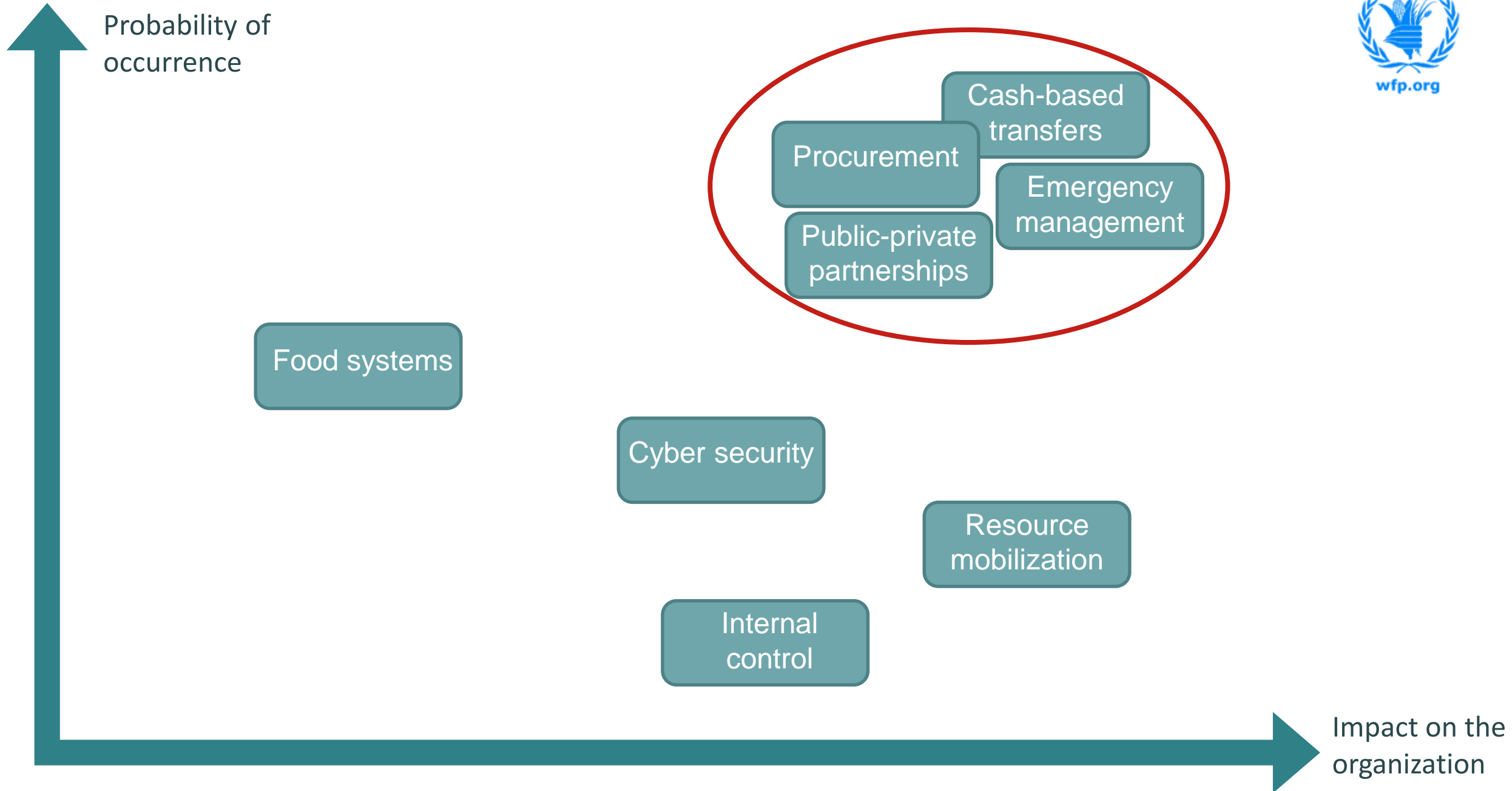
# TRANSVERSAL RISKS MAPPING (COSO GENERAL OBJECTIVES)



| Areas  | Main risk factors   | Possible topics   |
|--|---|---|
| <b>Public-private partnerships</b>                 | Consistency of action; skills discrepancy; capability assessment; coordination; strategic & operational changes           | <ul style="list-style-type: none"> <li>▪ Local actors empowerment</li> <li>▪ Fundraising strategies and communication</li> <li>▪ Learning effect and synergies</li> </ul>                                 |
| <b>Cash-Based Transfers</b>                        | Fraud; cyber security; data availability; internal control; strategic & operational changes                               | <ul style="list-style-type: none"> <li>▪ Beneficiaries targeting and monitoring</li> <li>▪ Control mechanisms</li> <li>▪ Cooperation (local capabilities, partners training)</li> </ul>                   |
| <b>Emergency management</b>                        | Operational changes; overstretch; security & safety; fraud; decentralized structure; resources adequacy; internal control | <ul style="list-style-type: none"> <li>▪ Scale-up and down of resources</li> <li>▪ Coordination among WFP's entities and partners</li> <li>▪ Internal and external risks management strategies</li> </ul> |
| <b>Procurement</b>                                 | Fraud; monitoring & data availability; decentralized structure; internal control; security and safety; reputation         | <ul style="list-style-type: none"> <li>▪ Food quality, tracking and losses</li> <li>▪ Suppliers' management</li> <li>▪ Merger of Procurement and Logistics</li> </ul>                                     |
| <b>Internal control</b>                            | Oversight tools; fraud; overstretch; decentralized structure  | <ul style="list-style-type: none"> <li>▪ Capacity building</li> <li>▪ Assurance Statements system</li> </ul>  |
| <b>Cyber security</b>                              | Internal control; decentralized structure; data availability  | <ul style="list-style-type: none"> <li>▪ Harmonization of systems &amp; compliance with regulations</li> <li>▪ Automatization of transactional processes</li> </ul>                                       |
| <b>Resource mobilization &amp; budget planning</b> | Funding flexibility; reporting; overstretch; monitoring; strategic changes  | <ul style="list-style-type: none"> <li>▪ Overhead costs structure</li> <li>▪ Performance measurement</li> <li>▪ Budget programming</li> </ul>   |
| <b>Food systems</b>                                | Price volatility; resource & data availability; capability assessment; cooperation; skills discrepancy                    | <ul style="list-style-type: none"> <li>▪ Local markets development strategies</li> <li>▪ Environmental and economic assessment</li> </ul>   |



# KEY AREAS PRIORITIZATION





# 2017 WORK PLAN



- **Financial Audit**
- **Performance Audit 1: *Food-related losses***
- **Performance Audit 2: *Scale-up and scale-down of resources in emergency operations***
- **10 field audits** (including the Regional Bureaus of Cairo and Johannesburg)

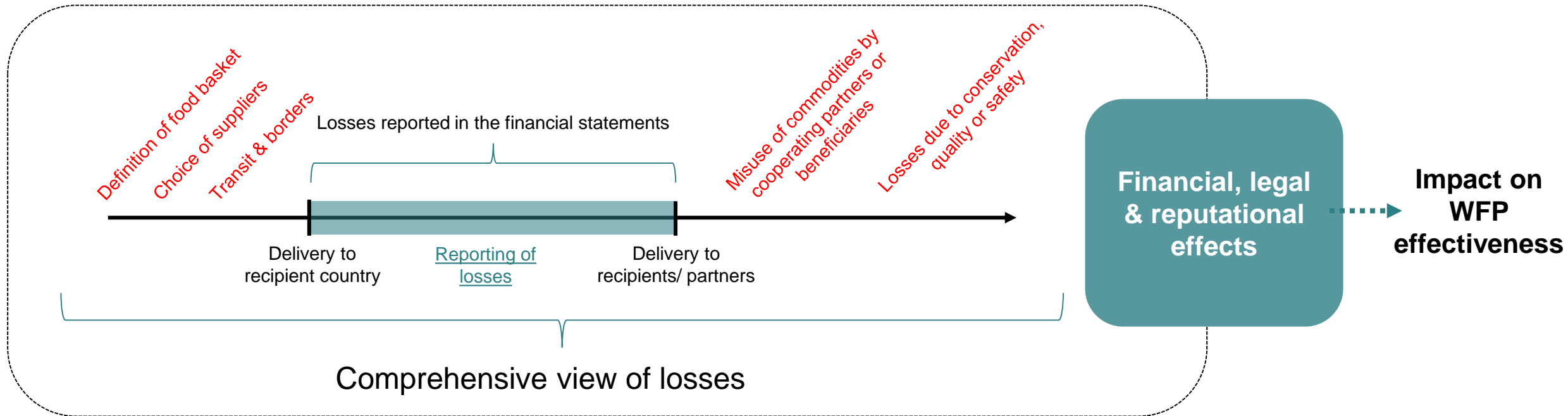


# FOOD-RELATED LOSSES



In 2016, WFP reported 21.1 million USD of food losses (23 786 MT) in its financial statements: this amount almost doubled compared to 2015 due to complex operations in very challenging environments, but it still represents less than 1% of the total tonnage of food distributed in 2016.

Losses reported by WFP to the Board relate only to post-delivery losses, our purpose is to provide the Board with a wider view of losses.





## FOOD-RELATED LOSSES : OBJECTIVES



- **Identify and quantify all losses, of whatever nature, related to food supplied by WFP, from the definition of the food basket to final consumption**
- **Examine inventory, analytical and accounting mechanisms as they pertain to food-related losses**
- **Analyse the effectiveness of the measures put in place by WFP to prevent and mitigate such losses and verify in particular how WFP protects itself against the financial, legal and reputational harm that could be caused by the food that it purchases and distributes**



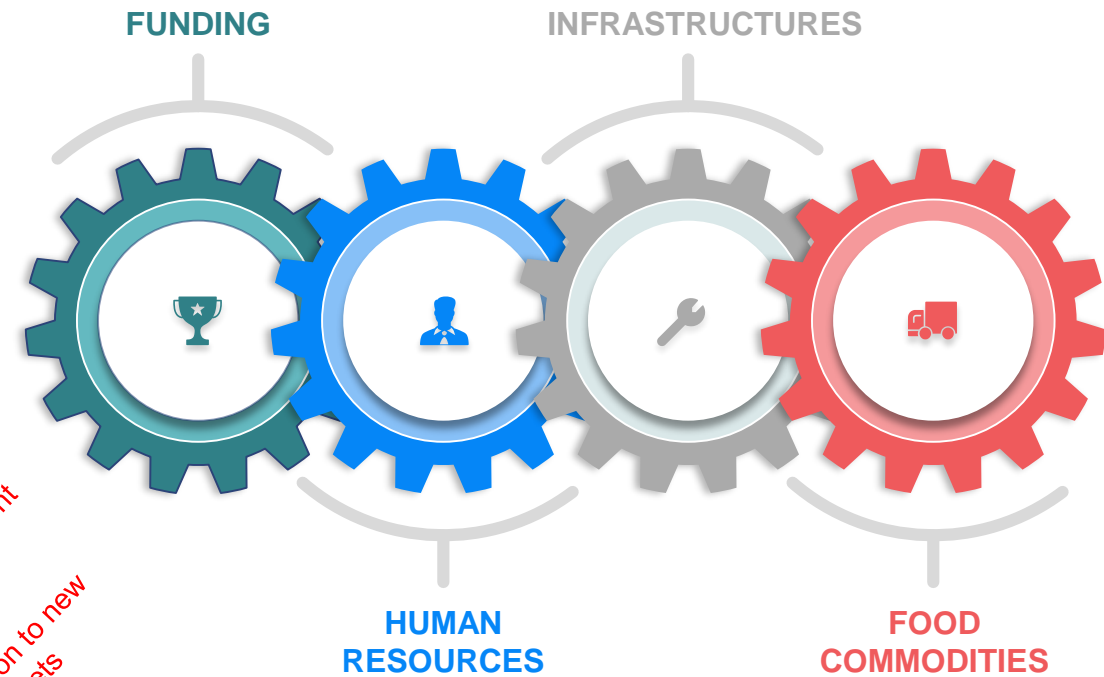
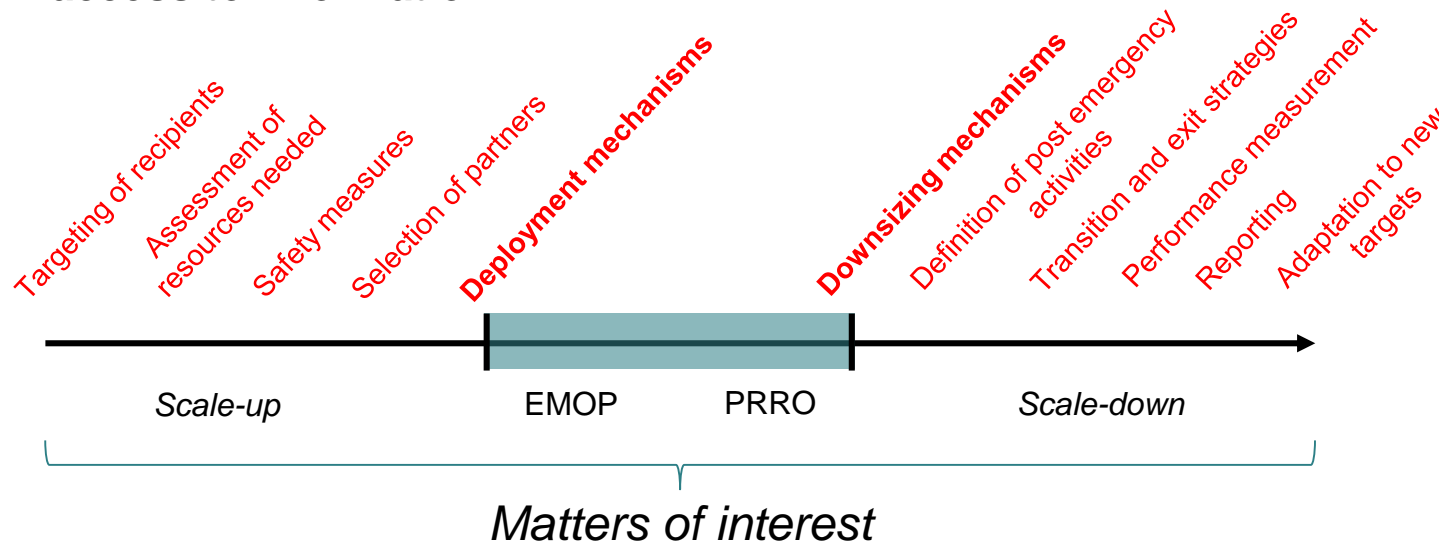
# SCALE-UP AND SCALE-DOWN OF RESOURCES IN EMERGENCY OPERATIONS



As of September 2017, WFP was confronted with six L3 and six L2, plus two operations under close monitoring (M).

Such a multiplication of emergencies creates a substantial risk of overstretch for the organization, as it exercises significant pressure on resources.

The situation is worsened by the need to intervene in highly unstable and challenging environments under constrained delays, which increases risks and limits access to information.



*Key processes affected (scaled up/down)*



# SCALE-UP AND SCALE-DOWN OF RESOURCES IN EMERGENCY OPERATIONS : OBJECTIVES



- ❑ **Assess how WFP analyses emergency situations and defines the appropriate level of resources to be allocated during the initial and final phases of operations**
- ❑ **Analyse mechanisms for deploying (during initial phases) and downsizing (during final phases) resources, including data collection and monitoring**
- ❑ **Identify major weaknesses and risks affecting the allocation and use of resources during the initial and final phases of emergency operations and verify the robustness of internal controls and mitigation measures**



# FIELD VISITS FOR 2017



| Entity          | Location     | Choice determinant          |
|-----------------|--------------|-----------------------------|
| Regional bureau | Cairo        | Emergency context           |
| Regional bureau | Johannesburg | Emergency context           |
| Country Office  | Turkey       | Logistics/Ongoing L3        |
| Country office  | Lebanon      | CBT/Ongoing L3              |
| Country office  | Palestine    | CBT                         |
| Country office  | Ukraine      | Ongoing L2                  |
| Country office  | Nepal        | L2 completed                |
| Country office  | Zimbabwe     | L3 completed                |
| Country office  | Malawi       | P4P/L3 completed            |
| Country office  | Kenya        | Food entry point/Ongoing L2 |



*THANK YOU FOR YOUR ATTENTION*



WFP

World Food Programme

wfp.org