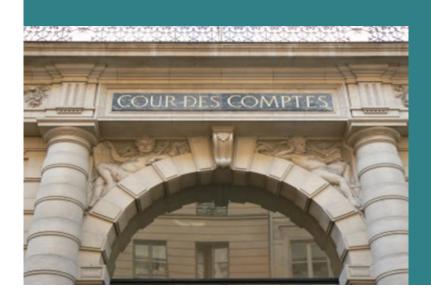


PRESENTATION & WORK PLAN

INDUCTION SESSION FOR MEMBERS AND OBSERVERS OF THE EXECUTIVE BOARD

27 SEPTEMBER 2017



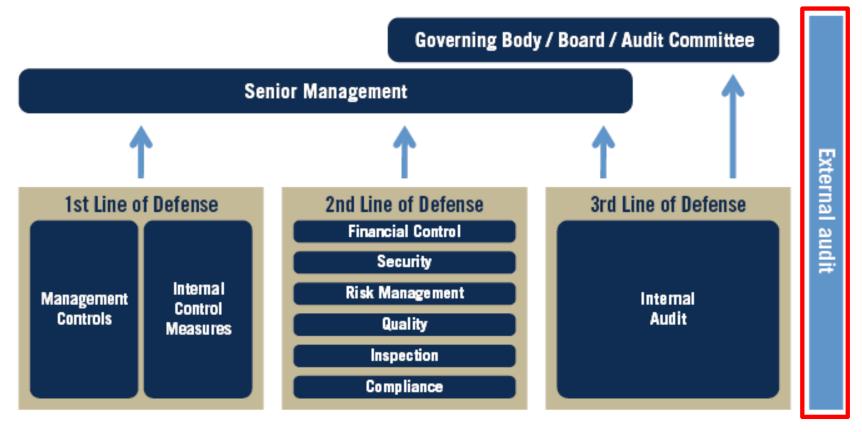
Richard Bellin, Director of External Audit







The Three Lines of Defense Model



Adapted from Institute of Internal Auditors







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





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



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.

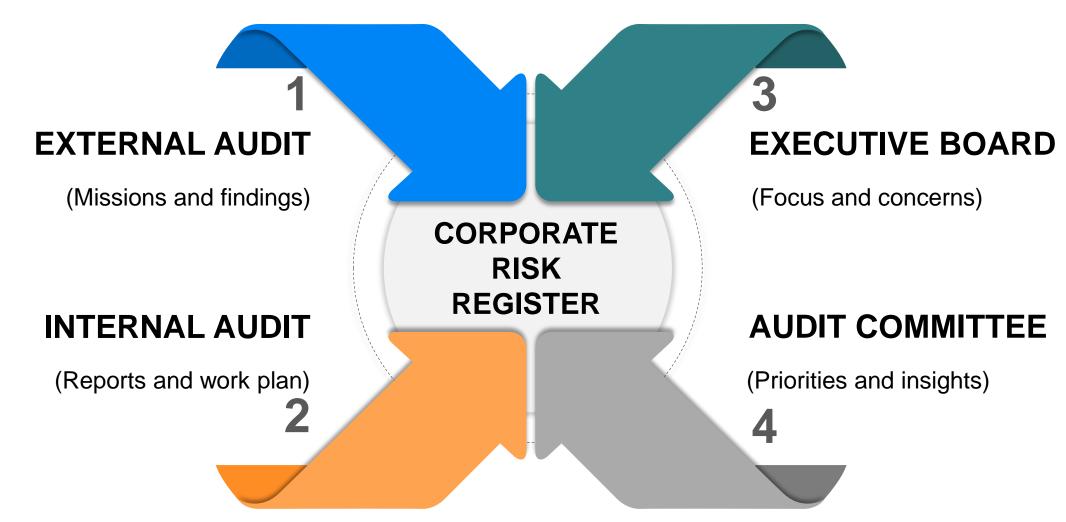
Field Audits

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.



MULTISOURCE RISK ASSESSMENT





Highly decentralized functioning (internal control and fraud risks) Increase in CBT use

Mismatch between WFP's objectives and structure

Insufficient fundraising strategy

Limited availability and capacity of cooperating partners, including governments

Lack of measurement and monitoring mechanisms while facing increased accountability requirements **Duplications of work and lack of coordination** with other UN agencies and NGOs Consistency of action with transition to IRM, FFR and CSPs

ERM: evolution with the IRM, **integration into** processes and impact on management **Oversight maturity**

CBT: beneficiary management and targeting, internal controls and fraud risk

IT: data availability, user access control and segregation, **cybersecurity** of internally

developed applications

Stretched capacities with external and internal emergencies: impact on supervision, people

Talent management and workforce planning **Procurement** and suppliers' management Partnerships processes and CPs' capabilities

Systemic weaknesses in procurement

Internal control systems efficiency

Anti-Fraud and corruption policy

Increased risk of fraud in emergencies

Pace of transition (IRM, FFR, CSPs)

Adaptation to **new strategic objectives**

Oversight tools efficiency Cash-Based Transfer management **Cybersecurity** and data privacy ERM: governance, risk assessment and mitigation Budget planning and resource allocation in evolving context (FFR, CSPs)

Monitoring and reporting systems and their changes

Cooperating partners: synergies, inventories transferred, reputational issues Comprehensive overhead costs vs. PSA budget Impact of benefits on WFP's ability to staff its

Corporate Risks

Inability to meet humanitarian commitments

Challenge to adapt to development role / Inability to match tools to context

Slow adaptation to global shifts

Lack of partner capacity / Inability to partner strategically

Security/health/safety risks to staff

Lack of **skills** for new initiatives

Challenging funding environment

Demonstrating impact without adequate evidence

Fraud/corruption affecting operations

Negative perception of WFP's work / Inability to align with national priorities

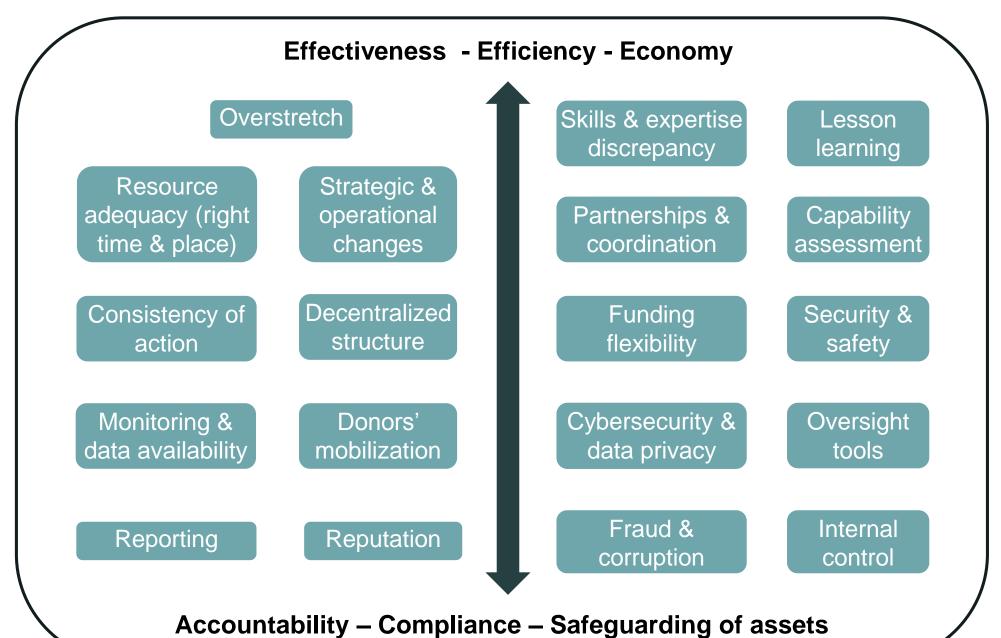
Poor/weak food quality/safety control

Lack of system support for evidence / Inability to demonstrate results

Volatility of **commodity** and fuel **prices**

Organizational readiness towards agenda 2030

TRANSVERSAL RISKS MAPPING (COSO GENERAL OBJECTIVES)



Areas	Main risk factors	Possible topics
Public-private partnerships	Consistency of action; skills discrepancy; capability assessment; coordination; strategic & operational changes	 Local actors empowerment Fundraising strategies and communication Learning effect and synergies
Cash-Based Transfers	Fraud; cyber security; data availability; internal control; strategic & operational changes	 Beneficiaries targeting and monitoring Control mechanisms Cooperation (local capabilities, partners training)
Emergency management	Operational changes; overstretch; security & safety; fraud; decentralized structure; resources adequacy; internal control	 Scale-up and down of resources Coordination among WFP's entities and partners Internal and external risks management strategies
Procurement	Fraud; monitoring & data availability; decentralized structure; internal control; security and safety; reputation	 Food quality, tracking and losses Suppliers' management Merger of Procurement and Logistics
Internal control	Oversight tools; fraud; overstretch; decentralized structure	Capacity buildingAssurance Statements system
Cyber security	Internal control; decentralized structure; data availability	 Harmonization of systems & compliance with regulations Automatization of transactional processes
Resource mobilization & budget planning	Funding flexibility; reporting; overstretch; monitoring; strategic changes	 Overhead costs structure Performance measurement Budget programming
Food systems	Price volatility; resource & data availability; capability assessment; cooperation; skills discrepancy	 Local markets development strategies Environmental and economic assessment

KEY AREAS PRIORITIZATION

Probability of occurrence



Procurement

Public-private partnerships

Cash-based transfers

Emergency management

Food systems

Cyber security

Resource mobilization

Internal control

Impact on the organization



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)

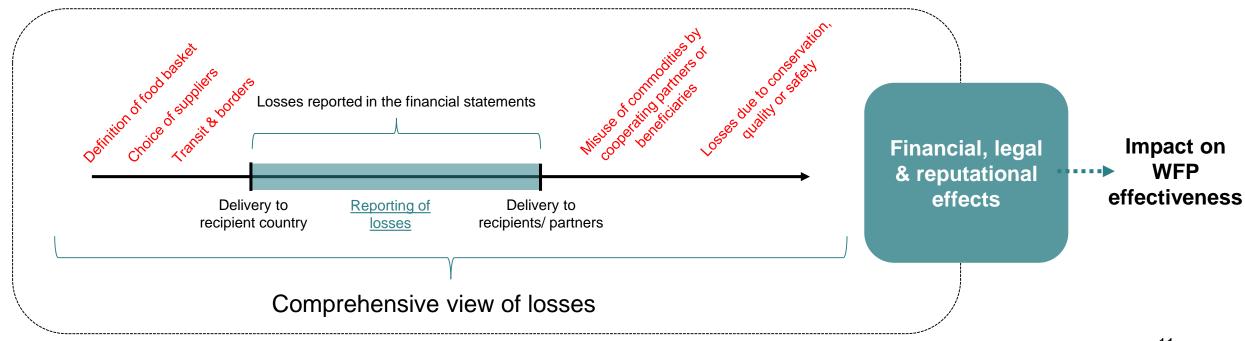


FOOD-RELATED LOSSES



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



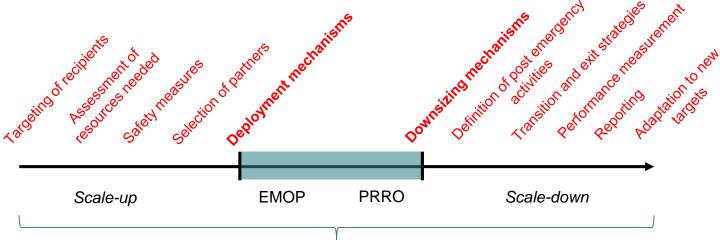
SCALE-UP AND SCALE-DOWN OF RESOURCES IN EMERGENCY OPERATIONS

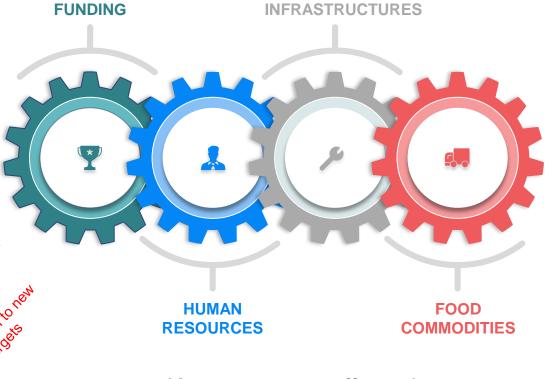


As of September 2017, WFP was confronted with six L3 and six L2, plus two operations under close monitoring (M).

Such a multiplication of emergencies creates a substantial <u>risk of overstretch</u> 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)

Matters of interest



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	СВТ
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

