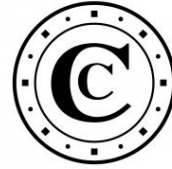


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EXTERNAL AUDIT

PRESENTATION & WORK PLAN

INDUCTION SESSION FOR NEW MEMBERS AND
OBSERVERS OF THE EXECUTIVE BOARD

21 SEPTEMBER 2018



Richard Bellin, Director of External Audit



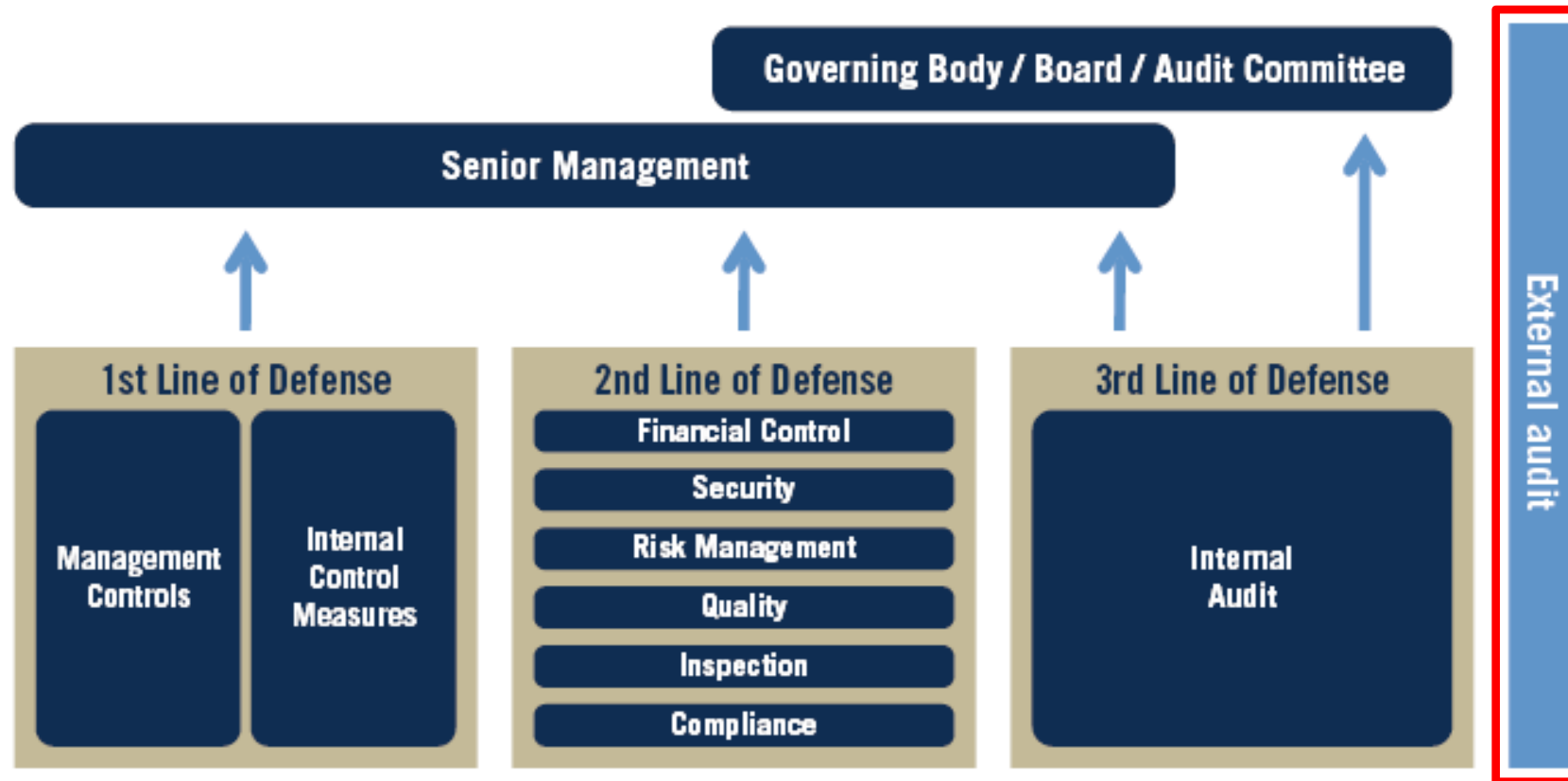
World Food Programme



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 WFP's management

Capacity of auditing overall governance and control structure

Less extensive scope than WFP's Three 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



External Audit

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

Internal Audit

ERM: evolution with the IRM
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 management, internal control
Talent management and workforce planning
Procurement and suppliers' management
 Partnerships processes and CPs' capabilities

Executive Board

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**

Audit Committee

Oversight tools efficiency
CBT 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 missions
Reported instances of fraud and corruptions



Corporate risks


<p>Inability to meet humanitarian commitments</p> <p>Challenge to adapt to development role/Inability to match tools to context</p> <p>Slow adaptation to global shifts</p>	<p>Lack of partner capacity/Inability to partner strategically</p> <p>Security/health/safety risks to staff</p> <p>Lack of skills for new initiatives</p> <p>Challenging funding environment</p>	<p>Demonstrating impact without adequate evidence</p> <p>Fraud/corruption affecting operations</p> <p>Negative perception of WFP's work/Inability to align with national priorities</p> <p>Poor/weak food quality/safety control</p>	<p>Lack of system support for evidence/Inability to demonstrate results</p> <p>Volatility of commodity and fuel prices</p> <p>Organizational readiness towards agenda 2030</p>
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Legend

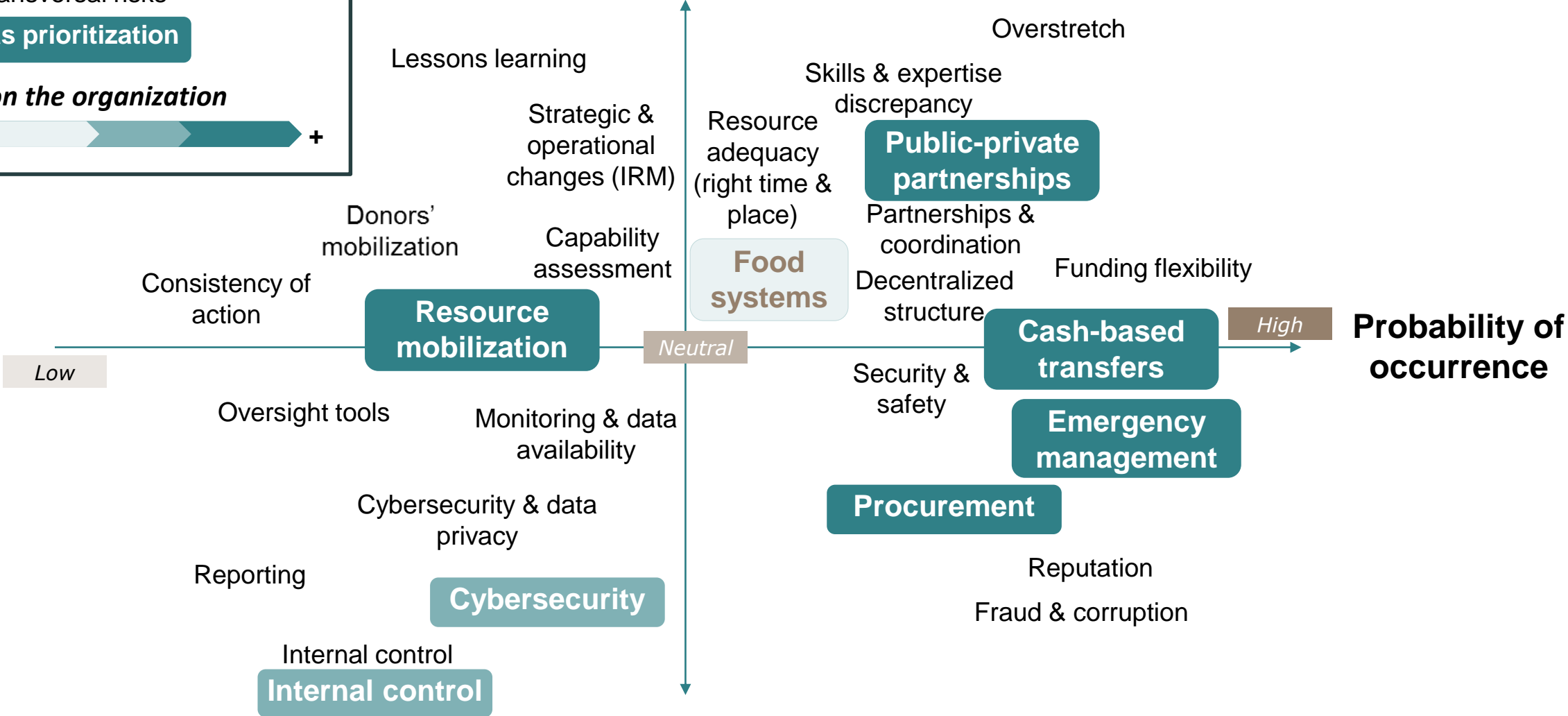
COSO Transversal risks

Key areas prioritization

Impact on the organization

-  +

Effectiveness – Efficiency – Economy



Accountability – Compliance – Safeguarding of assets

Areas	Main risk factors	Possible topics
Public-private partnership	Consistency of action; skills discrepancy; capability assessment; coordination; strategic & operational changes	<ul style="list-style-type: none"> Local actors' empowerment Fundraising strategies and communication ● Learning effect and synergies
Cash-based transfers	Fraud; cyber security; data availability; internal control; strategic & operational changes	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Scale-up and scale-down of resources ● Coordination among WFP's entities and partners Internal and external risk management strategies ●
Procurement	Fraud; monitoring & data availability; decentralized structure; internal control; security and safety; reputation	<ul style="list-style-type: none"> Food quality, tracking and losses ● Suppliers' management ● Merger of Procurement and Logistics
Internal control	Oversight tools; fraud; overstretch; decentralized structure	<ul style="list-style-type: none"> Capacity building Assurance Statements system ● Fraud Prevention, Detection and Repression ●
Cyber security	Internal control; decentralized structure; data availability	<ul style="list-style-type: none"> Harmonization of systems & compliance with regulations Automatization of transactional processes ●
Resource mobilization & budget planning	Funding flexibility; reporting; overstretch; monitoring; strategic changes	<ul style="list-style-type: none"> Overhead costs structure ● Performance measurement ● Budget programming ●
Food systems	Price volatility; resource & data availability; capability assessment; cooperation; skills discrepancy	<ul style="list-style-type: none"> Local markets development strategies Environmental and economic assessment

Past audits
 Upcoming audits
 Possible upcoming audits



2018 WORK PLAN



- **Financial Audit**
- **Performance Audit 1: *Fraud Prevention, Detection and Repression***
- **Performance Audit 2: *Country Portfolio Budgets***
- **Eight field audits** (including the Regional Bureaus of Nairobi and Panama)

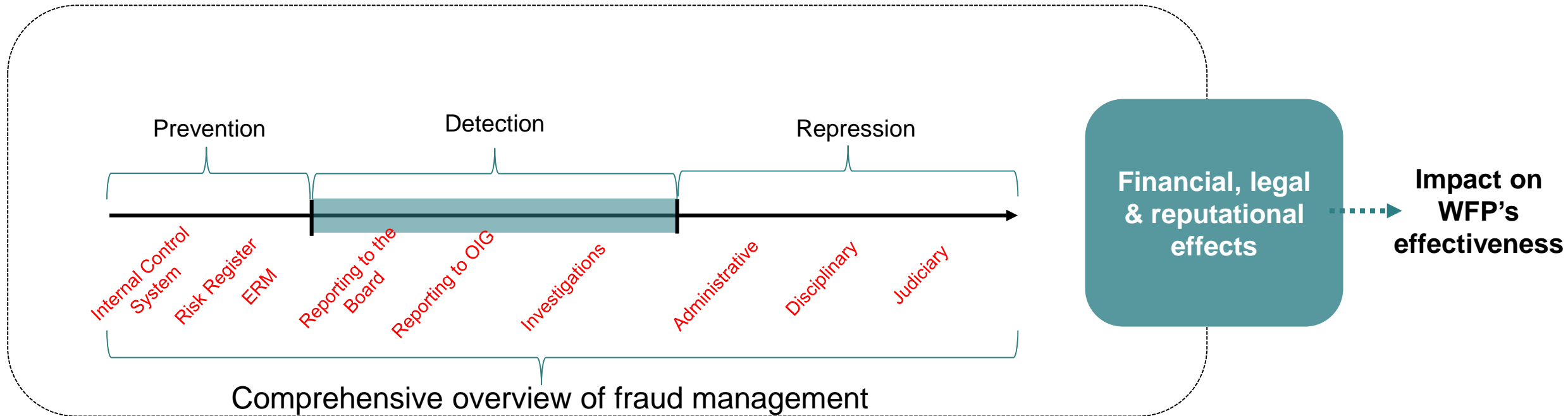


FRAUD PREVENTION, DETECTION, REPRESSION



In 2015, WFP introduced the Anti-Fraud and Anti-Corruption (AFAC) policy which is based on a “Zero tolerance” principle.

However, in 2017, WFP reported a level of fraud of USD 141,000 in its financial statements. This amount which represents about 0.002 percent of total contributions, is very low compared to other UN agencies also working in very challenging environments (HCR, UNICEF).





FRAUD PREVENTION, DETECTION, REPRESSION: OBJECTIVES



- **Assess if WFP complies with the international standards on fraud definition, prevention and treatment.**
- **Examine if the apparently low level of fraud reported is the result of a fair and sound prevention process.**
- **Analyse the effectiveness of the measures put in place by WFP to prevent and correct the risk of fraud and in particular the effectiveness of its detection tools (three lines of defense, internal controls, reporting, investigations).**
- **Determine if the post-detection treatment of fraud cases is up to the “zero tolerance policy” standard.**



COUNTRY PORTFOLIO BUDGETS

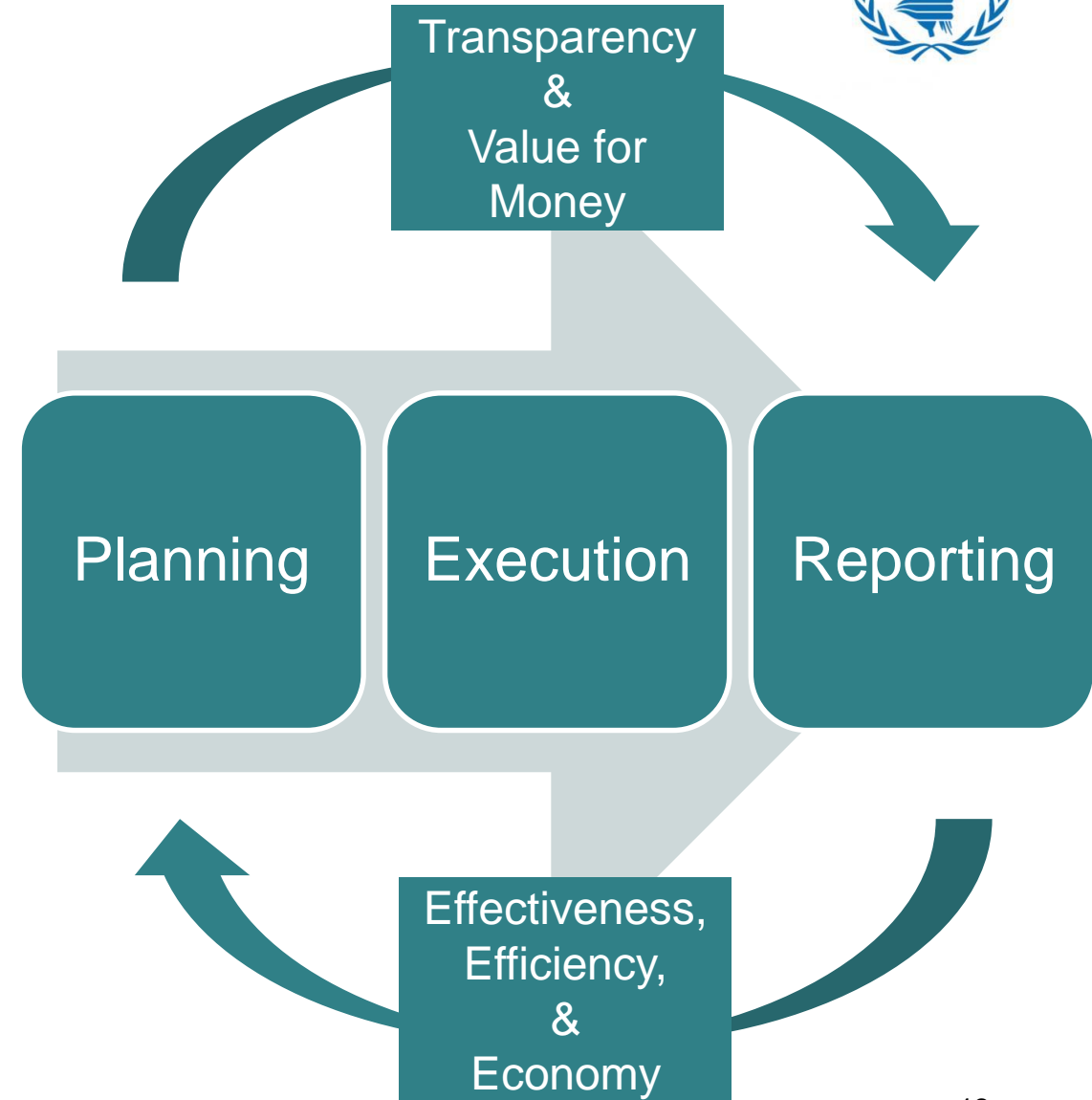


In November 2016 the Executive Board approved the Integrated Road Map to develop WFP's strategy for the 15 years to come.

One of the key pillars of this decisive change is the implementation of the CP Budgets instead of the former Project budgets to allow more transparency and implement a value for money strategy.

In 2018, 30 countries have already implemented a CSP and 5 have implemented an I-CSP.

Since the implementation of CSPs and CPBs is new, our purpose is to provide the Board with an overview of the whole budgeting process (planning, execution and reporting) and to assess if it complies with WFP's requirements on effectiveness, efficiency and economy.





COUNTRY PORTFOLIO BUDGETS: OBJECTIVES



- ❑ **Assess if CPBs respect donors' willingness and authorizations granted by the Executive Board.**
- ❑ **Analyse the delineation of the new cost category and identify possible duplication.**
- ❑ **Examine if budgets allocated to cooperating partners comply with WFP's budget structure.**
- ❑ **Assess if the balance between transparency and clerical workload involved by the new financial framework is optimal.**

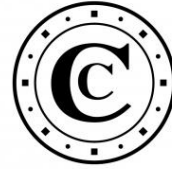


FIELD VISITS FOR 2018



Entity	Location	Choice determinant
Regional Bureau	Nairobi	Emergency context
Regional Bureau	Panama	Emergency context
Country Office	Jordan	T-ISCP
Country Office	Guatemala	CSP wave 2
Country Office	Tanzania	CSP wave 1B
Country Office	Haiti	T-ISCP
Country Office	Uganda	CSP wave 2
Country Office	Bangladesh	CSP wave 1A/L3 emergency

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THANK YOU FOR YOUR ATTENTION



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