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EXTERNAL AUDIT

**PRESENTATION & WORK PLAN**

INDUCTION SESSION FOR NEW MEMBERS AND  
OBSERVERS OF THE EXECUTIVE BOARD

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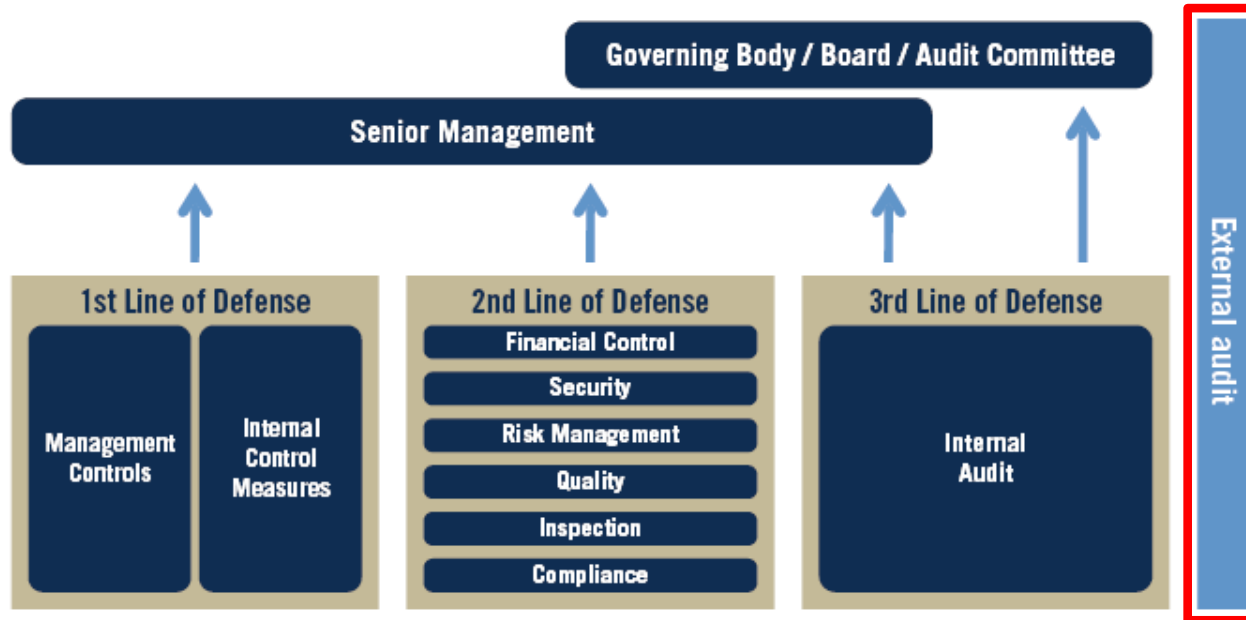
World Food Programme



# 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 to audit 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**

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

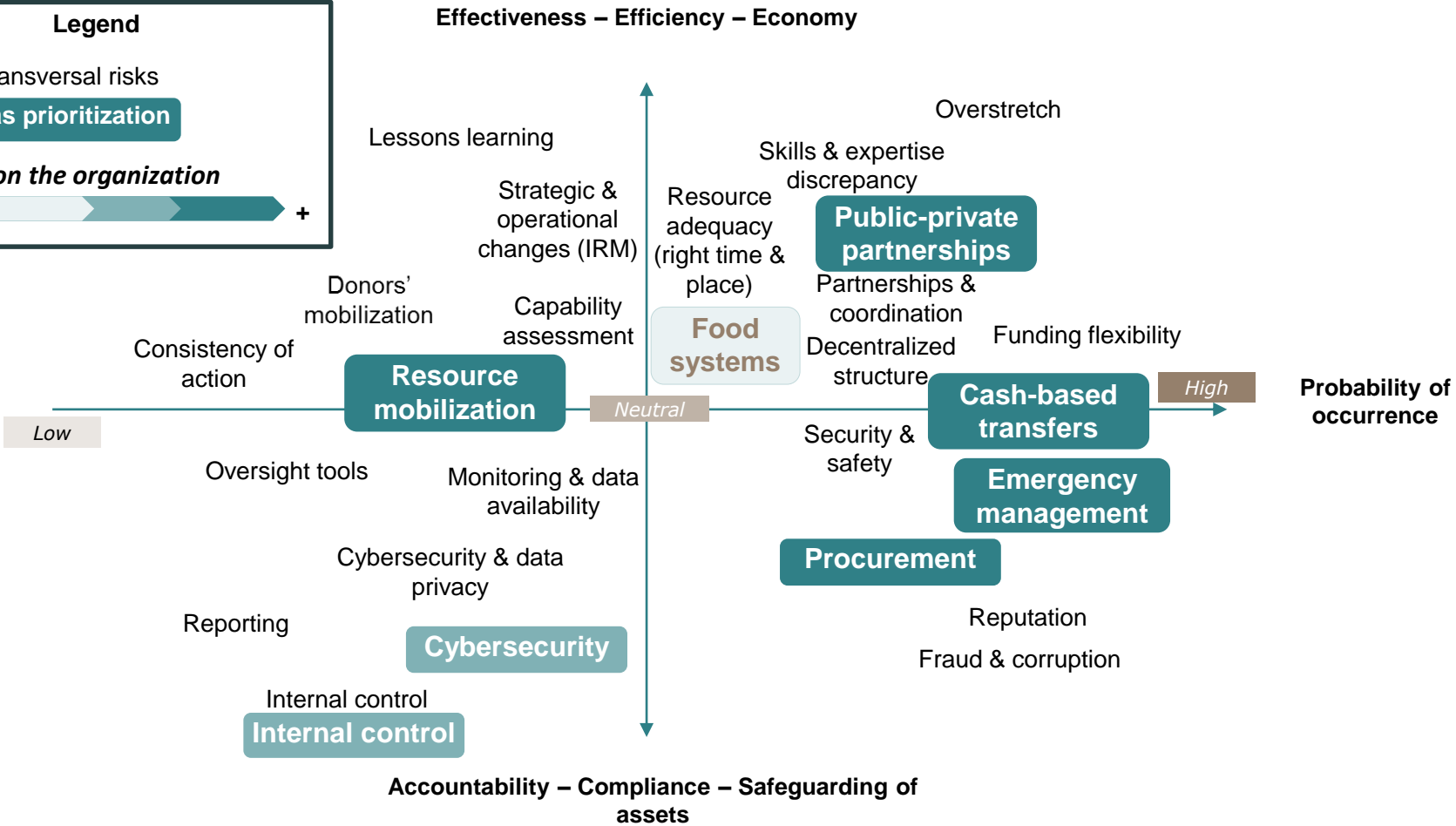
**Legend**

COSO Transversal risks

**Key areas prioritization**

**Impact on the organization**

-  +



| Areas                                   | Main risk factors   | Possible topics  |
|---|---|--|
| Public-private partnership              | <ul style="list-style-type: none"> <li>Consistency of action; skills discrepancy; capability assessment; coordination; strategic &amp; operational changes</li> </ul> | <ul style="list-style-type: none"> <li>Local actors' empowerment</li> <li>Fundraising strategies and communication ●</li> <li>Learning effect and synergies</li> </ul>                                       |
| Cash-based transfers                    | 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>                      |
| Emergency management                    | Operational changes, overstretch, security & safety, fraud, decentralized structure, resources adequacy, internal control   | <ul style="list-style-type: none"> <li>Scale-up and scale-down of resources ●</li> <li>Coordination among WFP's entities and partners</li> <li>Internal and external risk management strategies ●</li> </ul> |
| Procurement                             | 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>  |
| Internal control                        | Oversight tools; fraud; overstretch; decentralized structure  | <ul style="list-style-type: none"> <li>Capacity building</li> <li>Assurance Statements system ●</li> <li>Fraud Prevention, Detection and Repression ●</li> </ul>   |
| Cyber security                          | 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>  |
| Resource mobilization & budget planning | 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>  |
| Food systems                            | 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>  |

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 Bureaux of Nairobi and Panama)

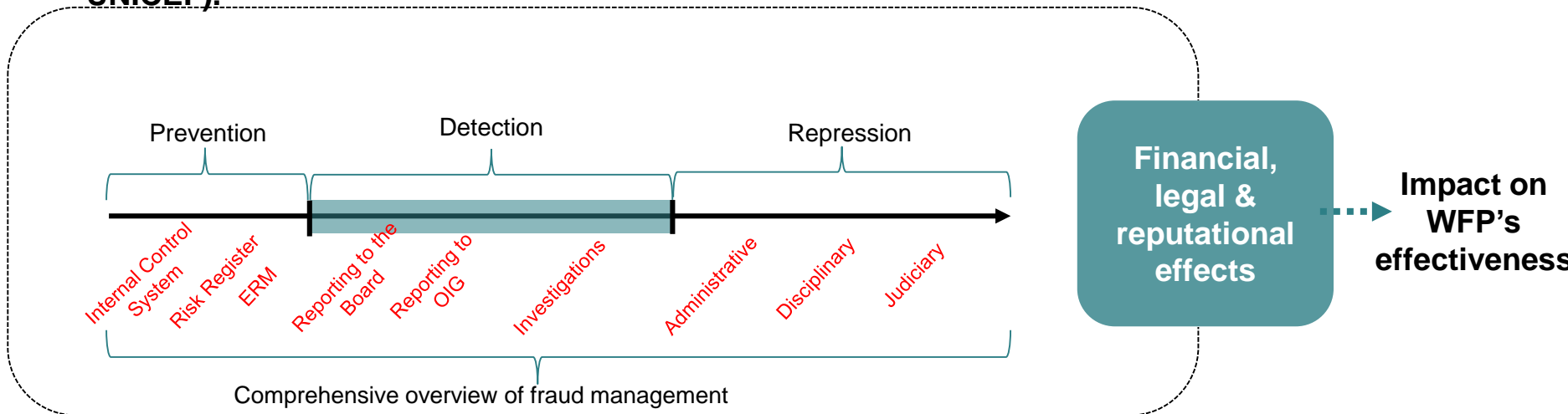


# FRAUD PREVENTION, DETECTION, REPRESSION



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 (UNHCR, 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.**
- ❑ **Analyze 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, 29 countries have already implemented a CSP and four 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.**
- ❑ **Analyze 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<br>emergency |

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*THANK YOU FOR YOUR ATTENTION*



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