

Internal Audit of WFP Operations in Mozambique

Office of the Inspector General
Internal Audit Report AR/17/15



World Food Programme

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Internal Audit of WFP Operations in Mozambique

I. Executive Summary






Introduction and context

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Mozambique that focused on the period 1 January 2016 to 31 March 2017. Expenditures in Mozambique totalled USD 32.7 million in 2016, representing 0.55 percent of WFP's total direct expenses for the year. The audit team conducted the fieldwork from 22 May to 9 June 2017 at the Country Office premises in Maputo and through onsite visits to various locations in Mozambique.
2. In 2016, the El Niño-induced drought significantly increased acute food insecurity and malnutrition in the country and the South Africa region, resulting in the activation of a Level 3 corporate emergency from June 2016 to March 2017. During 2016, WFP aimed to assist one million food-insecure and undernourished people in Mozambique through its food assistance programme, nutrition support activities and local food fortification.
3. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit conclusions

4. The review indicated a positive trajectory, particularly from 2017, as the Country Office made significant efforts to address operational issues, requesting support from the Regional Bureau and leveraging resource and skill availability within the emergency. In June 2017, WFP's Executive Board approved the new Country Strategic Plan. At the time of the audit, actual and prospective funding of the Country Strategic Plan was still uncertain, as well as alignment of the staffing resources to activities therein. Both a Partnership Action Plan and a workforce planning exercise were in the planning.
5. The audit noted a number of positive practices and initiatives, including: extensive involvement of the Government of Mozambique and the humanitarian community in the preparation of the Country Strategic Plan to ensure its alignment with government priorities and the United Nations Development Assistance Framework; the setting up of a roster for temporary local staff to facilitate the upscaling of the emergency and a consultative process for downscaling; and the replacement of manual forms with an online monitoring tool.
6. Based on the results of the audit, and in consideration of the improvements noted since the beginning of 2017, the Office of Internal Audit has come to an overall conclusion of *partially satisfactory*, i.e. internal controls, governance and risk management practices were generally established and functioning, but required immediate improvement. There were several issues, particularly in the areas of funding and organizational structure and programme management that could negatively affect the achievement of the overall objectives of the Mozambique operation, and areas where tools or processes needed to be improved to provide effective delivery of the programme. Conclusions are summarised in Table 1 by internal control component.

Table 1: Summary of risks by Internal Control Component

Internal Control Component		Risk	
1.	Control environment	High	
2.	Risk assessment	Medium	
3.	Control activities	Medium	
4.	Information and communication	Low	
5.	Monitoring activities	Medium	

Key results of the audit

Audit observations

7. The audit report contains two high-risk observations and five medium-risk observations. The high-risk observations are:

Funding and organizational structure: In 2015, funding constraints led to a staffing review which resulted in the cutting, downgrading and consolidation of positions. With the new Country Strategic Plan starting July 2017, the Country Office had to perform another assessment of staffing and capacity needs, and workforce planning, to align to and support the achievement of the Country Strategic Plan objectives and resourcing prospect. This was especially important as funding had not been entirely secured to cover operational needs. Staff had completed ad hoc and on the job training, yet without systematic needs assessment to guide training and capacity building. Issues noted related to unclear definition and formalization of certain roles, limited staff capacity in certain Country Office functions (often rooted in funding constraints), or in the recruitment process. These issues impacted on the scale up of the emergency response of the Country Office's operations.

Programme Management: Cooperating partners had limited capacity in key processes, with issues in the reliability of baseline data, warehouse conditions and capacity information, and periodic reporting. A structured process for the selection and/or management of cooperating partners was not in place and critical process steps were not always or systematically performed. Programme implementation was low compared to targets and there were potential pipeline breaks for some activities. The audit noted improvements from April 2017, particularly in setting up the Cooperating Partners Committee and capacity assessment of partners, and the shift of the food assistance for asset activities to a more structured and quality-oriented framework.

Actions agreed

8. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due date.

9. The Office of Internal Audit would like to thank managers and staff for the assistance and cooperation during the audit.

Anita Hirsch
Acting Inspector General

II. Context and Scope

Mozambique

10. Ranking 181 out of 188 countries on the 2016 Human Development Index, Mozambique is a low-income and food-deficit country. In 2015, Mozambique reached its Millennium Development Goal of halving the number of hungry people. A high level of stunting remains, compounded by the chronic exposure to weather-related hazards. Mozambique is prone to natural disasters and vulnerable to extreme climate conditions. The basis of its agricultural production is small-scale cultivation, an important source of income for most rural households. In 2016, the harsh El Niño-induced drought caused significant increase in acute food insecurity and malnutrition in the country. In October 2016, inflation and food prices recorded a five-year high.

WFP Operations in Mozambique

11. Food and nutrition security are central to Mozambique's development agenda and WFP activities are aligned with government priorities. Up to mid-2017, WFP's strategy in Mozambique prioritized human and social development, market access and disaster risk management. The strategy was implemented through a country programme and a protracted relief and recovery operation (PRRO), the latter with a combination of food assistance for assets (FFA) activities, general food distribution, emergency school meals, treatment of moderate acute malnutrition and support to refugees.

12. In June 2017, WFP's Executive Board approved the Mozambique Country Strategic Plan (CSP) for the period 2017 to 2021, effective 1 July 2017. The CSP aims to support the Government in the implementation of Agenda 2030, and particularly in moving towards achievement of Sustainable Development Goal 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture - and aligns with the United Nations Development Assistance Framework (UNDAF) for Mozambique. Since 2007, Mozambique is a "Delivering as One" country.

13. The following were the operational activities undertaken during the audit period:

- **Country Programme 200286** aimed to support human and social development through improved basic nutrition and scaling up of social protection programmes. Specific activities included: supporting the school feeding programme; strengthening social protection and nutrition services; and improving food security information for disaster risk reduction.
- **PRRO 200355** allowed the provision of food assistance to populations that became transiently food-insecure because of recurrent seasonal shocks. Activities targeted disaster-affected households as well as refugees and asylum seekers. Through the PRRO, WFP aimed at strengthening the National Institute for Disaster Management capacity to respond to shocks by building emergency preparedness and response capacity.
- In June 2016, in response to the El Niño-induced drought and subsequent poor harvests, WFP launched a **Level 3 (L3) emergency response** operation coordinated by the Regional Director Johannesburg (as Corporate Response Director) and managed at country level by the Country Director appointed as Emergency Coordinator. The L3 emergency was deactivated in March 2017 after the situation stabilised.

- WFP implemented activities through **Trust Fund 200962** designed to provide procurement and logistics services in support of the national Nutrition Rehabilitation Programme. WFP focused its support on nutrition activities and strengthening market access through **Trust Fund 10018217**, set up in 2013 to accelerate progress towards achieving Millennium Development Goal 1c in Mozambique.

Objective and scope of the audit

14. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of WFP's operations in Mozambique. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes.

15. The audit was carried out in conformance with the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*. It was completed according to the approved engagement plan and took into consideration the risk assessment exercise carried out prior to the audit.

16. The scope of the audit covered WFP's operations in Mozambique from 1 January 2016 to 31 March 2017. Where necessary, transactions and events pertaining to other periods were reviewed. The audit fieldwork took place from 22 May to 9 June 2017 in Maputo and selected field locations.

III. Results of the Audit

17. In performing the audit, the following positive practices and initiatives were noted:

Table 2: Positive practices and initiatives

Control environment

- Links to UNDAF clearly set out in the CSP and acknowledged by the humanitarian community as a proactive initiative facilitating implementation and reporting.
- Introduction of periodic emergency task force meetings in addition to the Strategic Task Force and the Operational Task Force already available in emergency protocols to facilitate coordination among Country Offices (COs) and provide support from the Regional Bureau (RB).
- Positive involvement in the preparation of the CSP acknowledged by donor local representations and government partners.
- Establishment of a local roster for facilitating the recruitment of temporary staff in emergency context.
- Plan for downscaling after emergency deactivation using a consultative process with the Sub Offices (SOs).

Control activities

- Implementation of the urgent actions identified in the Headquarters assessment report of the WFP residential compound in Maputo; developing and implementing a maintenance plan.
- Visits to FFA projects in the Marara districts complemented school feeding projects (construction of benches and classroom).
- Multiple oversight missions requested by the CO that also leveraged emergency and resilience temporary duty assignment (TDYers) to improve the CO processes and disseminate knowledge.

Monitoring activities

- Introduction of an online monitoring tool to replace, in combination with a visualization tool, the manual monitoring forms and improve efficiency.
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18. Having evaluated and tested the controls in place, the Office of Internal Audit has come to the following conclusions on the residual risk related to the processes:

Table 3: Conclusions on risk, by Internal Control Component and Business Process

Internal Control Component/Business Process	Risk
1. Control environment	
Strategic planning and performance	Medium
Organizational structure and staffing	High
Internal oversight	Low
Ethics	Medium
2. Risk assessment	
Enterprise risk management	Medium
Emergency preparedness and response	Medium
3. Control activities	
Finance and accounting	Medium
Programme management	High
Transport and logistics	Medium
Procurement	Medium
Human resources	Medium
Travel and administration	Low
Partnership and coordination	Medium
Security	Medium
Gender	Medium
Property and equipment	Low
Information and communications technology	Medium
Resource mobilisation	High
4. Information and communication	
Internal and external communication	Low
5. Monitoring activities	
Programme monitoring and evaluation	Medium

19. Based on the results of the audit and considering the country context, the Office of Internal Audit has come to an overall audit conclusion of *partially satisfactory*¹.

20. The audit made two high-risk and five medium-risk observations. Tables 4 and 5 below present the high and medium-risk observations respectively.

Action agreed

21. Management has agreed to take measures to address the reported observations.²

¹ See Annex B for definitions of audit terms.

² Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 4: High-risk observations

Observation	Agreed action
<p>1 Control Environment: Funding and organizational structure – resourcing, staffing and recruitment</p> <p><u>Resourcing</u></p> <p>At the time of the audit, funding was a key concern. Overall projects’ needs coverage, although within WFP’s corporate requirements, was at 62 percent and the resources required for the CSP, then under finalization, were not fully secured to cover operational needs. There was potential shortfall and pipeline breaks for school feeding, as well as resilience, and crisis response.</p> <p>The CO had recently established a committee to oversee fundraising activities and was in advanced negotiations for two school feeding funding proposals for a total of USD 55 million over five years. Management was also preparing a CSP Partnership Action Plan. Responsibilities for donor reporting were not entirely centralized for Trust Funds reporting, this being managed by the implementing units.</p> <p><u>Staffing and structure</u></p> <p>Moving into the CSP effective 1 July 2017, the CO had yet to complete its assessment of staffing and capacity needs, and conduct a workforce planning exercise for the implementation of the CSP objectives, taking into account recommendations raised by recent oversight missions.</p> <p>Already in 2015, a staffing review was conducted, which resulted in the cut and or downgrade of 26 positions, and consolidation of others. Continuing funding constraints perpetuated the use of service contracts, intended as temporary contracts, for prolonged periods.</p> <p>In some cases, staff roles were either not aligned with terms of reference (TORs) and the organigramme, or still in the process of being defined.</p> <p><u>Human resources and training</u></p> <p>Staff completed training as required and on-the-job learning through TDYers and consultants, particularly during the emergency, with no systematic approach to learning and developmental needs to guide training and capacity building efforts. This was especially acute in logistics, as highlighted by the response to the El Niño emergency.</p> <p>Issues in the recruitment process also impacted the scale-up of the emergency response: (i) gaps in key staff profiles; (ii) delays in requests and release of staff by the parent duty stations and for medical clearances; (iii) insufficient qualifying responses to vacancies; and (iv) inconsistent handover process. The CO’s human resources (HR) capacity was limited, with no professional staff and a ratio of one general service staff to 67 employees.</p>	<p>(1) The CO will:</p> <p>(a) Perform a staffing needs assessment that takes into consideration specific project needs, and identifies the critical positions. Evaluate the possibility of offering these more stable contracts in line with corporate requirements for the use of service contracts.</p> <p>(b) Liaise with RB and/or WFP Headquarter (HQ) units as appropriate and:</p> <ol style="list-style-type: none"> i. update or develop TORs for staff as needed and update the organigramme accordingly, and evaluate/promote rotation of staff roles within functional units, especially for long-service staff who have dealings with third parties to mitigate the risk of collusion; ii. define a plan to develop or update SOPs for key processes and/or sub-processes (for example, within supply chain, HR, monitoring) to provide guidance on performance of tasks and facilitate induction and on-the-job learning; iii. design and implement a mechanism to identify staff development and learning needs in line with their job roles and develop training and capacity building plans and activities; and liaise with the Supply Chain Division to evaluate specific needs highlighted by the response to the El Niño emergency, specifically for logistics; and iv. define and implement a structured process and tools for hand-over of duties. <p>(c) Adopt the corporate e-recruitment system and explore options to ensure wider distribution and catchment for local staff vacancy announcements, and reinforce knowledge of recruitment procedures, including those for gender and diversity aspects, as per applicable regulations.</p> <p>(d) Finalize the resource mobilization strategy and clarify roles in the donor reporting process to attain a consistent and homogeneous approach.</p> <p>(e) Follow up with donors on issued proposals, in coordination with HQ units as appropriate.</p> <p>(2) The Emergency Preparedness and Support Response Division (OSE), in coordination with HR, wellness and other HQ divisions as appropriate, will reassess and define appropriate actions to strengthen mechanisms for effective and timely staffing for scale up of emergency operations. This will take into account issues highlighted in Mozambique as part of the L3 El Niño Emergency response with regard to the ERR at corporate and local levels and medical clearance procedures.</p>

Observation	Agreed action
<p><u>Underlying cause:</u> Limited visibility and donor interest after the deactivation of the emergency. Workload for the CSP transition, delays in the release of corporate workforce planning tools and unclear roles and responsibilities. Lack of guidance and capacity for workforce planning³. Strain on the emergency response roster (ERR) due to multiple emergencies at the corporate level. Outdated or missing TORs and standard operating procedures (SOPs) for some relevant staff and some major process areas.</p>	
<p>2 Programme management - Selection and management of cooperating partners (CPs) and programme implementation</p> <p>Key CPs had limited capacity in critical processes and the CO's actions were not deemed sufficient to mitigate the impact on programme implementation. Delays and/or low rates of implementation were noted in most programmatic activities and there were indications of potential pipeline breaks for some activities without clear communication to beneficiaries. Activities for the Millennium Development Goal (MDG1c) Project were being revised, within budget, and discussions were ongoing with donors to revise and extend agreement accordingly.</p> <p>A structured process for the selection and management of CPs was not in place, with some critical process steps either absent or not performed in a systematic way. These included the identification and initial assessment of the CPs to guide the definition of minimum required capacity building activities and performance monitoring. Improvements were noted after April 2017 following the capacity assessment performed for resilience projects and the appointment of a Cooperating Partners Committee.</p> <p>Other identified issues related to the reliability of baseline data provided by CPs; delayed and incomplete periodic reporting from CPs which impacted disbursement; inadequate CPs' warehouse conditions and capacity information. During the field visit, the audit noted that WFP did not participate in the targeting of beneficiaries for FFA, that beneficiary lists were not gender disaggregated or signed for receipt, and not systematically verified by WFP for accuracy.</p> <p>FFA: <i>The audit made observations regarding assets-link to food security, asset quality and maintenance, and clear allocation of technical responsibilities. The findings have been discussed with CO management and are reflected in the OIGA report on the thematic audit of FFA (AR/17/14).</i></p> <p><u>Underlying cause:</u> Lack of a structured process for identifying and managing the performance of CPs. Emergency response which affected the implementation of development activities. Funding constraints and pipeline breaks. Limited availability and capacity of staff and partners not taken fully into account at the planning phase. Lack of capacity and multiple activities requiring specific expertise.</p>	<p>The CO will:</p> <ol style="list-style-type: none"> Formalize guidelines, including criteria and tools, to assess capacity, select, allocate distributions/activities, assess the performance and build capacity of CPs and provide training to staff to disseminate defined guidelines. Perform a capacity assessment of current CPs and identify a roster of potential new partners meeting minimum requirements. Reassess timelines for formalization of field-level agreements (FLAs) to ensure timely completion before project start. Reassess WFP participation in FFA beneficiary targeting and project supervision. Establish follow-up mechanisms for CP reporting, disseminate and train CPs on the follow-up mechanisms to address delays in submitting claims and settling advances. Reassess status and technical needs and formally agree the changes in activities (for example, the number of warehouses) and deadlines for the MDG1c project implementation with the donor. Finalize the agreement with the Government for school feeding activities and establish mechanisms for timely dissemination of information to beneficiaries on potential pipeline breaks.

³ This was raised as an observation in the Internal Audit report of Human Resources Management in Country Offices (AR/16/15).

Table 5: Medium-risk observations

Observation	Agreed action
<p>3 Enterprise risk management – Risk register and business continuity management (BCM)</p> <p>The CO carried out various risk analysis at a functional level; however, these did not translate into a structured process to ensure all identified risks are clearly and timely articulated and consolidated into the CO risk register.</p> <p>The CO had prepared the emergency preparedness response package (EPRP) that incorporated minimum preparedness actions covering information and communications technology (ICT) aspects. Some actions including testing had not yet been completed. The CO drafted SOPs on data backup, but not fully in adherence to the requirements. There was no off-site backup of data and no ICT emergency drills during the period under review.</p> <p>The CO did not have a business continuity plan (BCP). Present corporate guidelines (ED Circular OED2016/012 – WFP Business Continuity Management) do not make it mandatory for a CO to have a BCP on the understanding that the EPRP will include the detailed guidelines that one would find in the Business Continuity Management Plan. This was not the case.</p> <p><u>Underlying cause:</u> Lack of clarity regarding the process for risk assessment and corporate guidance on business continuity planning and back up management.</p>	<p>(1) OSE will revise the WFP Business Continuity Management ED circular (OED2016/012) to further detail CO responsibility with regards to the Business Continuity Management expected to be embedded into preparedness and response measures through the EPRP.</p> <p>(2) The CO will:</p> <p>(a) Consolidate key risks identified across all units into the CO risk register for appropriate tracking.</p> <p>(b) Review the EPRP and include all aspects that one would expect to find in the Business Continuity Management Plan, including IT disaster recovery, to enable continuity of critical activities in the case of a major incident. Test the recovery and continuity procedures on a regular basis.</p> <p>(c) Make suitable arrangements for the secure off-site storage of data backup and conduct ICT emergency drills in line with corporate guidelines.</p>
<p>4 Transport and Logistics - Transport allocations and dispatches, warehouse management and quality issues</p> <p>An assessment of ports for the corridor was carried out in 2016, yet the logistic capacity assessment was last updated in 2010. The analysis of use of warehouse capacity to inform the contracting unit, and in view of the post-emergency reduction in volumes, had not yet been formalized.</p> <p>Dispatches to CPs were based on a three to six-month pre-positioning plan; food release notes were not used by the programme unit to call commodity forward, and there was no structured process for assessing receiving warehouse capacity and storage availability at extended distribution points (EDPs). During a site visit, the audit noted that lack of storage capacity caused delays in the off-loading, and the CP had neither been informed of the delivery nor had direct contacts with WFP.</p> <p>While the CO had worked on clearing backlog as well as pending receipts from transporters, some transactions had not yet been processed in the corporate ERP system and there were still open items. Dispatches and delivery to CPs were not all reconciled and, in some cases, the CO did not perform the monthly physical counts, or enter them in WFP's logistics execution support system (LESS).</p>	<p>The CO will:</p> <p>(a) Obtain support from relevant HQ units to update the logistic capacity assessment and formalize warehouse assessments to enable informed contracting.</p> <p>(b) Define deadlines and implement monitoring procedures to ensure the effective and timely implementation of all transport and logistics recommendations made by oversight missions, including allocation criteria, review of deviations from dispatches and appropriate review levels.</p> <p>(c) Introduce food release notes and define exact quantities to be dispatched in line with receiving capacity, and clarify roles and responsibilities in the assessment of receiving EDPs' capacity and availability before dispatching. Establish a process for direct contacts/structured communication with EDPs to ensure smooth delivery of commodities.</p> <p>(d) Consider the possibility of introducing a tool/automated process for evaluating transport bids with an ad interim structured review of calculation files supporting the evaluation.</p> <p>(e) Finalize the recording of off-line commitments in corporate systems and the reconciliation between dispatches and receipt, and reinforce the importance of regular physical counts. Liaise with RB and HQ units as appropriate and assess the potential need for specific training on the use of LESS.</p>

Observation	Agreed action
<p>Transportation or storage of special nutritious food (SNF) did not ensure controlled temperature at any point in time to prevent deterioration. The audit team noted SNF left out in the sun at a health centre due to warehouse unavailability. Interviewed CPs indicated they did not have, or use, temperature-control mechanisms for SNF.</p> <p>The audit noted some commodities with a best-before-date of June 2017 received and dispatched to CPs in April 2017 as well as some previously undetected quality issues brought to the attention of the SO by the beneficiaries.</p> <p>As of June 2017, the CO had approximately 400 MT of commodities in stock related to emergency activities tied to donor funding that could not be transferred under the CSP. Negotiations had started to extend the implementation period.</p> <p>The RB conducted multiple support and oversight missions during the audit period and the CO put relevant effort into addressing identified issues. At the time of the audit, certain actions were still pending implementation. These included the formalization and review of transport allocation criteria, and of deviations from delivery plan and required approval levels. The evaluation of transport offers was cumbersome as it was performed using Excel, and with formula errors.</p> <p><u>Underlying cause:</u> Emergency, staffing and capacity constraints. Lack of automated tools and a structured review of tariff system offers evaluation. Insufficient temperature control mechanisms. Lack of adequate assessment of partners' warehouse capacity and storage availability. Unclear responsibilities in tracking delivery. Delays in off-loading cargo and changes in donors' instruction on delivery.</p>	<p>(f) Liaise with HQ units as appropriate to identify mechanisms for ensuring adequate temperature-controlled conditions for the transport and warehouse storage of SNF stocks, and reinforce monitoring of commodity best-before-dates to ensure timely dispatch of food in line with minimum required time for distribution and consumption.</p> <p>(g) Finalize the transfer of commodities in stock to the CSP in line with the donor's requirement.</p>
<p>5 Procurement - Vendor and contract management</p> <p>During the audit period, the goods and services (G&S) procurement unit was supported via the deployment of a TDYer and an April 2017 procurement oversight mission from the RB. Significant efforts were made to implement the recommendations. At the time of the audit visit, corrective measures related to procurement plans, use of the corporate electronic tendering system (In-Tend) and streamlining of the G&S procurement process had yet to be actioned.</p> <p>The audit noted delays in procuring food. The CO indicated use of the corporate Global Commodity Corporate Facility (GCMF) as a cause of delays in food procurement and import, particularly due to the limitations on exports introduced by neighbouring countries with which WFP had pre-commitments/advance procurement agreements. In 2016, the CO's supply chain unit introduced a tracking sheet to monitor supply chain lead-time and help identify root causes of the delays but the process was yet to be implemented in a systematic way. No standard lead time for G&S and food procurement had been defined.</p>	<p>(1) The CO will:</p> <p>(a) Implement monitoring procedures to ensure the effective and timely implementation of all procurement-related recommendations made by oversight missions.</p> <p>(b) Resume tracking of procurement timelines to identify causes of delays with respect to standard lead time and address them.</p> <p>(c) Finalize the assessment of potential new vendors for milling.</p> <p>(d) Update the list of the Procurement Committees members to reflect the current supply chain structure.</p> <p>(2) The Supply Chain Division will assess the needs for, and if necessary define and disseminate specific guidance to enhance planning and use of GCMF in emergency operations considering issues noted from the El Niño emergency response.</p>

Observation	Agreed action
<p>Other issues related to vendor management, contracting and compliance were noted, including: late assessment of potential vendors and the Procurement Committee member list not reflecting the new supply chain structure.</p> <p><u>Underlying cause:</u> Emergency and lack of capacity and clearly defined procedures for tracking procurement processes and timelines.</p>	
<p>6 Finance - Issues relating to financial management</p> <p>The CSP allowed the CO to make notable progress in closing long-outstanding and numerous open items. At the time of the field visit, the long-outstanding open items comprised receivables for logistics services (USD 1.2 million), some pending since 2010, VAT receivables from the Government (USD 7.5 million), some pending since 2008, and goods received notes (USD 1.7 million) older than 90 days.</p> <p><u>Underlying cause:</u> Backlogs in operations and finance with limited follow-up and a lack of formally defined action plans.</p>	<p>The CO will establish an action plan with clear ownership and deadlines to address individual long-outstanding and open items in finance, and assign responsibility for overall monitoring and completion of the plan.</p>
<p>7 Security - Compliance with security standards</p> <p>During the audit period, the RB carried out various security oversight missions. The CO did not effectively monitor compliance with minimum operating security standards (MOSS) with some critical items outstanding at the time of the audit.</p> <p>The WFP list of employees was not updated in the warden structure at the CO. A warden system testing exercise was performed in mid-2016 but there was no record of lessons learned or evidence of follow-up on the weaknesses noted.</p> <p><u>Underlying cause:</u> Staff capacity issues. No specific allocation of staff time for security matters. Lack of priority in monitoring MOSS compliance.</p>	<p>The CO will ensure strict review and tracking of compliance with MOSS and allocate sufficient resources to ensure that appropriate and timely corrective action is taken to address any identified gaps in security.</p>
<p>8 In-country programme monitoring and evaluation - Monitoring planning, implementation and follow-up of recommendations and complaints and feedback mechanism</p> <p>At the time of the field visit, in May-June, the overall monitoring plans for the PRRO and country programme for the six-month period January to June 2017 were yet to be approved by the RB.</p> <p>The CO introduced monthly monitoring plans to operationalize the overall plan. These plans were introduced for the PRRO in April 2017. Not all SOs complied with the requirement to complete and submit these plans before the start of the month.</p> <p>During field visits to some sub-offices, the audit noted that field monitors did not follow a specific monitoring plan and there was limited supervision of their activities by the SO and CO.</p>	<p>The CO will:</p> <ol style="list-style-type: none"> Adopt the "CSP Monitoring, Review and Evaluation Plan" as the framework for its M&E activities and improve the planning and approval of monthly monitoring activities at the CO and SO level. Improve supervision of monitoring activities to ensure achievement of monthly monitoring objectives. Periodic review, as required, monitoring objectives versus CO/SO capacity to ensure realistic targets and/or consider options to increase capacity to meet these (short term assistance, support from other units, interagency support). Design and implement appropriate systems and tools for timely follow-up of its monitoring recommendations. Ensure timely monthly reconciliations of partner distribution reports in COMET to LESS and physical stock counts at partner warehouses.

Observation	Agreed action
<p>The CSP provides for a monitoring and evaluation (M&E) post in each SO to reinforce monitoring but this was yet to be implemented and is contingent upon the availability of funds.</p> <p>A planned versus actual analysis of monitoring activities, performed for the first time for the month of April 2017, indicated a low implementation against monitoring plans with some SOs scoring zero percent of the planned monitoring visits. The CO was still to design a system for effective follow-up and implementation of monitoring recommendations.</p> <p>At the programmatic monitoring level, there was no evidence of reconciliation of the CP distribution reports generated from the corporate online tool for managing programmes (COMET) to the dispatches recorded in LESS; and reconciliations were based on manual waybills and Excel tracking sheets. Monthly CP warehouse stocktake reports were not reconciled to LESS records.</p> <p>The CO had not yet designed and implemented a reliable complaints and feedback mechanism. Plans were to introduce suggestion boxes at each SO premises and a beneficiary hotline in the second half of 2017.</p> <p>Visibility of WFP logos was absent/weak at the visited project sites. Beneficiaries had limited knowledge of WFP's role and limited contact was noted between CP staff and WFP.</p> <p><u>Underlying cause:</u> Pressures of programme implementation. Limited staff capacity. Lack of clarity on the responsibility for follow-up and implementation of monitoring recommendations by the CO team. Information recorded in LESS not considered as consistently up-to-date. Stocktakes at partner warehouses not sufficiently aligned with the preparation of partner distribution reports. Funding constraints.</p>	<ul style="list-style-type: none"> (f) Finalize the implementation of a sustainable and accessible (toll free) beneficiary feedback mechanism in line with the corporate minimum standards. (g) Define and implement mechanisms to enhance WFP visibility at project and distribution sites, including wide dissemination of the complaints and feedback channels.

Annex A – Summary of categorization of observations

The following table shows the categorization ownership and due date agreed with the auditee for all audit observations. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

Observation	Risk categories			Underlying cause category	Owner	Due date
	WFP's Internal Control Framework	WFP's Management Results Dimensions	WFP's Risk Management Framework			
1 Control Environment: Funding and organizational structure – resourcing, staffing and recruitment	Strategic	People	Contextual Programmatic	Resources	MZCO OSE	31 December 2017
2 Programme management - Selection and management of CPs and programme implementation	Operational	Programmes	Programmatic	Resources	MZCO	31 December 2017
3 Enterprise risk management – Risk register and BCM	Compliance	Programmes	Institutional	Guidelines	OSE MZCO	31 December 2017
4 Transport and Logistics - Transport allocations and dispatches, warehouse management and quality issues	Operational	Processes and Systems	Institutional	Guidelines	MZCO	31 December 2017
5 Procurement - Vendor and contract management	Operational	Processes and Systems	Institutional	Guidelines	MZCO OSC	31 December 2017 31 October 2017
6 Finance - Issues relating to financial management	Operational	Processes and Systems	Institutional	Guidelines	MZCO	30 September 2017
7 Security - Compliance with security standards	Operational	Processes and Systems	Institutional	Guidelines	MZCO	31 October 2017

Observation	Risk categories			Underlying cause category	Owner	Due date
	WFP's Internal Control Framework	WFP's Management Results Dimensions	WFP's Risk Management Framework			
8 In-country programme monitoring and evaluation - Monitoring planning, implementation and follow-up of recommendations and complaints and feedback mechanism	Operational	Processes and Systems	Institutional Programmatic	Resources Guidelines	MZCO	31 December 2017

Annex B – Definition of categorization of observations

1. Rating system

1. Internal control components and processes are rated according to the degree of related risk. These ratings are part of the system of evaluating the adequacy of WFP's risk management, control and governance processes. A rating of satisfactory, partially satisfactory or unsatisfactory is reported in each audit. These categories are defined as follows:

Table B.1: Rating system

Engagement rating	Definition	Assurance level
Satisfactory	Internal controls, governance and risk management practices are adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.	Reasonable assurance can be provided.
Partially Satisfactory	Internal controls, governance and risk management practices are generally established and functioning, but need improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.	Reasonable assurance is at risk.
Unsatisfactory	Internal controls, governance and risk management practices are either not established or not functioning well. The issues identified were such that the achievement of the overall objectives of the audited entity could be seriously compromised.	Reasonable assurance cannot be provided.

2. Risk categorization of audit observations

2. Audit observations are categorized by impact or importance (high, medium or low risk) as shown in Table A.4 below. Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.⁴

Table B.2: Categorization of observations by impact or importance

High risk	Issues or areas arising relating to important matters that are material to the system of internal control. The matters observed might be the cause of non-achievement of a corporate objective, or result in exposure to unmitigated risk that could highly impact corporate objectives.
Medium risk	Issues or areas arising related to issues that significantly affect controls but may not require immediate action. The matters observed may cause the non-achievement of a business objective, or result in exposure to unmitigated risk that could have an impact on the objectives of the business unit.
Low risk	Issues or areas arising that would, if corrected, improve internal controls in general. The observations identified are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

⁴ An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

3. Low risk observations, if any, are communicated by the audit team directly to management, and are not included in this report.

3. WFP's Internal Control Framework (ICF)

4. WFP's ICF follows principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Integrated Internal Control Framework, adapted to meet WFP's operational environment and structure. The framework was formally defined in 2011 and revised in 2015.

5. WFP defines internal control as: "a process, effected by WFP's Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, compliance."⁵ WFP recognises five interrelated components (ICF components) of internal control, all of which need to be in place and integrated for them to be effective across the above three areas of internal control objectives.

Table B.3: Interrelated Components of Internal Control recognized by WFP

1	Control Environment:	Sets the tone of the organization and shapes personnel's understanding of internal control.
2	Risk Assessment:	Identifies and analyses risks to the achievement of WFP's objectives through a dynamic and iterative process.
3	Control Activities:	Ensure that necessary actions are taken to address risks to the achievement of WFP's objectives.
4	Information and Communication:	Allows pertinent information on WFP's activities to be identified, captured and communicated in a form and timeframe that enables people to carry out their internal control responsibilities.
5	Monitoring Activities:	Enable internal control systems to be monitored to assess the systems' performance over time and to ensure that internal control continues to operate effectively.

4. Risk categories

6. The Office of Internal Audit evaluates WFP's internal controls, governance and risk management processes, to reach an annual and overall assurance on these processes in the following categories:

Table B.4: Categories of risk – based on COSO frameworks and the Standards of the Institute of Internal Auditors

1	Strategic:	Achievement of the organization's strategic objectives.
2	Operational:	Effectiveness and efficiency of operations and programmes including safeguarding of assets.
3	Compliance:	Compliance with laws, regulations, policies, procedures and contracts.
4	Reporting:	Reliability and integrity of financial and operational information.

7. To facilitate linkages with WFP's performance and risk management frameworks, the Office of Internal Audit maps assurance to the following two frameworks:

⁵ OED 2015/016 para.7

Table B.5: Categories of risk – WFP’s Management Results Dimensions

1	People:	Effective staff learning and skill development – Engaged workforce supported by capable leaders promoting a culture of commitment, communication and accountability – Appropriately planned workforce – Effective talent acquisition and management.
2	Partnerships:	Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated.
3	Processes and Systems:	High quality programme design and timely approval – Cost efficient supply chain enabling timely delivery of food assistance – Streamlined and effective business processes and systems – Conducive platforms for learning, sharing and innovation.
4	Programmes:	Appropriate and evidence based programme responses – Alignment with government priorities and strengthened national capacities – Lessons learned and innovations mainstreamed – Effective communication of programme results and advocacy.
5	Accountability and Funding:	Predictable, timely and flexible resources obtained – Strategic transparent and efficient allocation of resources – Accountability frameworks utilized – Effective management of resources demonstrated.

Table B.6: Categories of risk – WFP’s Risk Management Framework

1	Contextual:	External to WFP: political, economic, environmental, state failure, conflict and humanitarian crisis.
2	Programmatic:	Failure to meet programme objectives and/or potential harm caused to others through interventions.
3	Institutional:	Internal to WFP: fiduciary failure, reputational loss and financial loss through corruption.

5. Causes or sources of audit observations

8. Audit observations are broken down into categories based on causes or sources:

Table B.7: Categories of causes or sources

1	Compliance	Requirement to comply with prescribed WFP regulations, rules and procedures.
2	Guidelines	Need for improvement in written policies, procedures or tools to guide staff in the performance of their functions.
3	Guidance	Need for better supervision and management oversight.
4	Resources	Need for more resources (for example, funds, skills, staff) to carry out an activity or function.
5	Human error	Mistakes committed by staff entrusted to perform assigned functions.
6	Best practice	Opportunity to improve to reach recognized best practice.

6. Monitoring the implementation of agreed actions

9. The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions is verified through the Office of Internal Audit’s system for the monitoring of the implementation of agreed actions. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP’s operations.

Annex C – Acronyms

BCM	Business Continuity Management
BCP	Business Continuity Plan
CO	Country Office
COMET	WFP’s corporate on-line tool for managing programmes
CP	Cooperating Partner
CSP	Country Strategic Plan
EPRP	Emergency Preparedness Response Package
ERR	Emergency Response Roster
FFA	Food Assistance for Assets
FLA	Field-level Agreement
GCMF	Global Commodity Corporate Facility
G&S	Goods and Services
HQ	WFP Headquarters
HR	Human Resources
ICF	Internal Control Framework
ICT	Information and Communications Technology
LESS	WFP’s Logistics Execution Support System
M&E	Monitoring and Evaluation
MOSS	Minimum Operating Security Standard
MT	Metric Tonnes
MZCO	WFP’s Mozambique Country Office
NGO	Non-Governmental Organization
OSC	WFP’s Supply Chain Division
OSE	WFP’s Emergency Preparedness and Support Response Division
PRRO	Protracted Relief and Recovery Operation
RB	Regional Bureau
SNF	Special Nutritious Food
SO	Sub Office



TDYer	Temporary Duty Assignment
TOR	Terms of Reference
UN	United Nations
UNDAF	United Nations Development Assistance Framework
USD	United States Dollar
WFP	World Food Programme