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Internal Audit of WFP Operations in Nepal

Office of the Inspector General
Internal Audit Report AR/22/20



World Food
Programme

December 2022



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I. Executive summary

WFP Nepal Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Nepal that focused on beneficiary management, cash-based transfers, supply chain, monitoring, finance, budget management and non-governmental organization management. The audit covered the period from 1 January 2021 to 30 June 2022.
2. The work of WFP in Nepal, as defined in the Country Strategic Plan 2019–2023, aims to provide support to the Government in its work to achieve the Sustainable Development Goals through six strategic outcomes. Interventions include food distributions, cash-based transfers, strengthening local capacities for emergency response, nutrition, resilience, school feeding and supply chain management.
3. The latest budget for the country strategic plan was USD 165.0 million as per the revision approved in December 2021. Over the audit period, WFP expenses amounted to USD 38.3 million, and the country office reached 2.7 million beneficiaries. The audit focused on the implementation of the activities #3 – *Provide gender-transformative and nutrition-sensitive school meals and health packages in chronically food-insecure areas and strengthen the Government's capacity to integrate the national school meals programme into the national social protection framework*, and #5 – *Develop and improve risk-resilient infrastructure and strengthen local capacity to identify climate risks and implement adaptive strategies*, under strategic outcomes 2 and 3, which accounted for 59 percent of the total expenses during the audit period.

Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **some improvement needed**. The assessed governance arrangements, risk management and controls were generally established and functioning well, although they needed improvement to provide reasonable assurance that the objectives of the audited entity/area would be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
5. The country office had adequate levels of expertise in key functional areas with locally and internationally recruited staff. The Regional Bureau for Asia and the Pacific provided regular oversight over most processes and the country office was able to complement these exercises with internal reviews of other key areas. Active committees ensured appropriate oversight of internal controls and flagged issues and risks for management attention. Controls in finance were generally established and functioning. Overall, donors, the Government and non-governmental organizations provided positive feedback on WFP operations in Nepal.
6. Audit observations relate to the community feedback mechanism, cash-based transfers, monitoring and management of oversight recommendations highlighted the absence of systems and processes to enable streamlined data management, analysis and effective follow-up measures. The country office needs to consider digitalizing these processes to ensure that it can adjust programme activities and process controls based on data and recommendations in a systematic and timely manner. These process improvements will require support from headquarters units and the regional bureau.
7. Audit observations related to cash-based transfers and supply chain identified issues with back-up plans and with the limited training of process owners and alternates. The country office needs to increase capacity building in these areas, considering that Nepal is a disaster-prone environment and these processes are key to an emergency response.
8. There was limited coordination over budget and non-governmental organizations management. Both processes require increased engagement by the country office programme unit.



Actions agreed

9. The audit report contains seven medium-priority observations. Management has agreed to address the reported observations and to work to implement the agreed actions by their respective due dates.

THANK YOU!

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



II. Country context and audit scope

Nepal

11. Nepal is a lower-middle-income country. It has a population of 30.2 million,¹ ranking 142 of 189 countries on the Human Development Index in 2020. Nepal has reduced poverty significantly in recent decades: the proportion of poor households fell from 46 percent in 1996 to 15 percent in 2011.²

12. Because of the country's extreme topography, only 43 percent of Nepalese have access to paved roads, which limits access to markets and social services and reinforces social exclusion and inequity, which are major determinants of food and nutrition insecurity, particularly among women. Nepal is one of the ten most disaster-affected countries in the world in terms of mortality, costs and the number of extreme natural events.³ The risk of flooding and landslides has increased as a result of climate change, with vulnerable people disproportionately affected.

13. Nepal ranked 117 of 180 countries in the 2021 Transparency International Corruption Perception Index,⁴ which represents a risk that potentially impacts the delivery of operations, including the provision of services to government entities.

WFP operations in Nepal

14. The country office launched its 2019–2023 Country Strategic Plan in January 2019 with a budget of USD 126 million. The country office increased the budget to USD 165 million through four budget revisions. WFP supports the Government of Nepal in achieving sustainable, inclusive and equitable development by investing in resilience-building, nutrition-specific and sensitive programmes and policies.

15. Between January 2021 and June 2022, WFP reached 2.7 million vulnerable people with conditional and unconditional food assistance, by delivering 7,705 metric tons of food and USD 8 million through cash-based transfers. Further, WFP provided technical support to strengthen government institutions.

16. The COVID-19 pandemic disrupted Nepal's growth; it significantly affected the education sector forcing school closures; and exacerbated the pressure on food security and the livelihoods of vulnerable families. In April 2021, the COVID-19 situation in Nepal quickly deteriorated; the Government declared a second wave of the pandemic and enforced lockdowns until July 2021. Nepal experienced an acute shortage of oxygen, COVID-19 testing kits, ventilators and intensive care beds. WFP adapted its activities, adhering to Government guidance to mitigate the spread of the virus while continuing its interventions. In addition, the country office supported the Government in receiving, dispatching and transporting urgent health items all over the country.

17. Erratic and extreme weather patterns due to climate change have adversely affected the economy and livelihoods of vulnerable communities, with unseasonal rains triggering landslides and flooding in October 2021. The war in Ukraine is also having a significant negative impact on the price of food commodities and fuel.

18. In 2021, WFP started the third round of the McGovern-Dole funded school feeding programme, providing meals in all schools in six districts and providing technical assistance to all districts covered by the Government school meals programme.

¹ UNFPA, World Population Dashboard

² Nepal Country Strategic Plan 2019–2023

³ [Centre for Research on the Epidemiology of Disasters, D. Guha-Sapir, P Hoyois and R. Below. 2016. Annual Disaster Statistical Review 2015: the numbers and trends. Available at https://www.cred.be/sites/default/files/ADSR_2015.pdf](https://www.cred.be/sites/default/files/ADSR_2015.pdf)

⁴ <https://www.transparency.org/en/cpi/2021/index/ssd>

Objective and scope of the audit

19. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control processes relating to WFP operations in Nepal. Such audits contribute to an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

20. The audit focused on activities #3 and #5 under strategic outcomes 2 and 3, representing 59 percent of the country strategic plan's expenses during the audit period:

- *Activity 3 – Provide gender-transformative and nutrition-sensitive school meals and health packages in chronically food-insecure areas and strengthen the Government's capacity to integrate the national school meals programme into the national social protection framework.*
- *Activity 5 – Develop and improve risk-resilient infrastructure and strengthen local capacity to identify climate risks and implement adaptive strategies.*

21. The Office of Internal Audit developed in 2021 a focused audit approach to adapt to COVID-19 constraints, while maintaining its audit coverage of country operations and providing assurance on five key areas of the end-to-end country office delivery process, as detailed in Figure 1.

Figure 1: Areas covered by the focused audit scope



22. The internal audit of WFP operations in Nepal built on the focused approach, complementing it with a risk-based audit methodology to determine the priority focus areas for the audit. As a result, the seven areas in scope for the audit included: (i) beneficiary management, including the community feedback mechanism; (ii) cash-based transfers (CBT); (iii) supply chain; (iv) monitoring; (v) non-governmental organization management; (vi) budget management; and (vii) finance.

23. The audit team conducted the fieldwork in the Nepal Country Office in Kathmandu.

24. Reliance was placed on second line assurance work, where possible and relevant, to minimize duplication of efforts. The audit relied on the regional bureau's recent oversight coverage of cash-based transfers and beneficiary management, leading to some control testing in these areas being scoped out of the audit.

25. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.



III. Results of the audit

Audit work and conclusions

26. Each of the following sections correspond to the functional areas covered during the audit (described in paragraph 22), with an initial section to capture cross-cutting issues. Seven observations arose from the audit – regarding beneficiary management, cash-based transfers, supply chain, non-governmental organization management, monitoring, budget management, topped with a cross-cutting topic.

27. A simplified standard process diagram is included for several functional areas audited. These diagrams indicate the key control areas reviewed and, when exceptions or weaknesses were noted, the audit observations to which they relate and their respective priority rating (red for high and yellow for medium-priority observations). Any other issues arising from the audit that were assessed as low priority were discussed with the country office directly and are not reflected in the report.

Cross-cutting issues

Observation 1: Follow-up of oversight recommendations

28. From January 2021 to June 2022, the regional bureau carried out oversight missions for monitoring, food safety and quality, human resources and cash-based transfers. The cash-based transfers oversight mission included a review of some controls in other areas including finance, supply chain, budget and data management.

29. The country office contracted a consultant to carry out a compliance review of procurement and management of non-governmental organizations and an expert to update and finalize the privacy impact assessment. The country office conducted a mid-term review of the country strategic plan on programmatic aspects and, in coordination with the regional bureau and headquarters, an assessment of the school feeding programme in Nepal. In 2022, the Office of Evaluation conducted an evaluation of the country strategic plan. At the time of audit fieldwork, the evaluation was at the reporting stage.

30. These reviews allowed the country office to identify strengths and areas for improvement in all key areas and resulted in over one hundred recommendations formulated during the audit period. The country office used different approaches to monitor the implementation of actions. Ownership of follow-up actions was at the unit level. Some heads of unit had their own tracker for monitoring progress, other process owners did not document the status of implementation and pending actions.

31. Roles and responsibilities for following up on recommendations from reviews covering multiple areas were unclear. For example, the privacy impact assessment focused mainly on cash-based transfers; as the follow-up owner was the programme unit, this resulted in unclear tracking of actions owned by other units, such as those related to the community feedback mechanism.

Underlying cause(s): Absence of a country office focal point for coordinating and monitoring implementation of recommendations; and the absence of a system and process for analysis and follow-up.

Agreed Actions [Medium priority]

The country office will:

- (i) Identify a focal point to coordinate and monitor implementation of recommendations.
- (ii) Establish systems and processes to follow-up on recommendations.

Timeline for implementation

30 June 2023



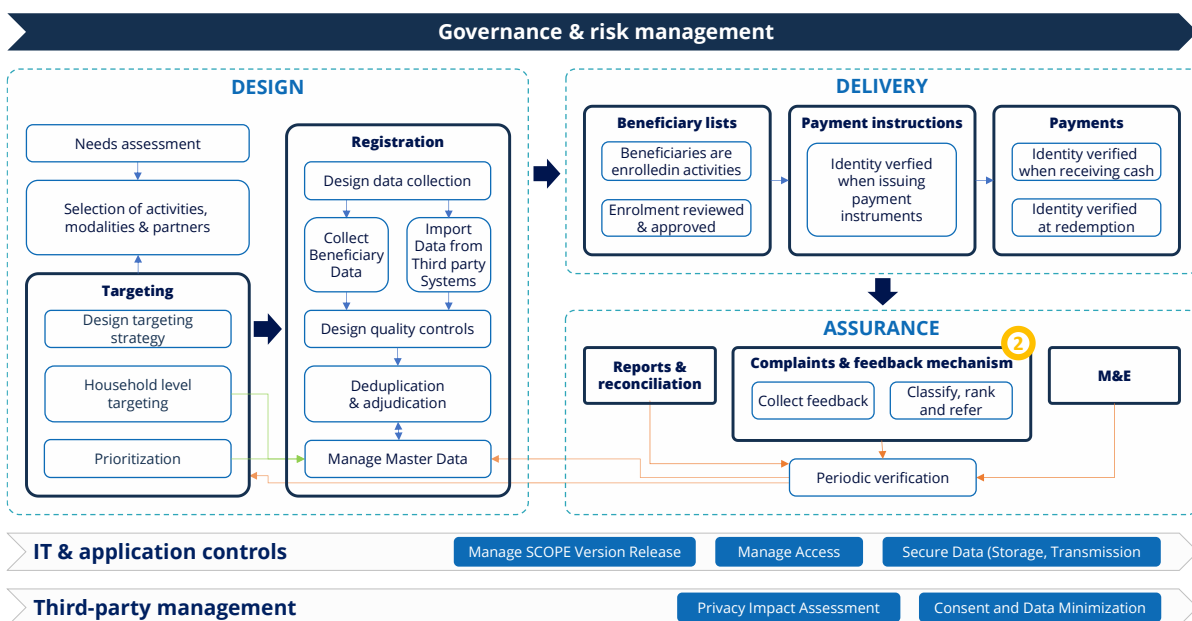
Beneficiary management

33. The audit assessed the key controls over beneficiary management processes, focusing on the community feedback mechanism. The audit reviewed beneficiary data management as part of cash-based transfers.

34. The community feedback mechanism in Nepal was based on toll-free hotline numbers, complemented by helpdesks at distribution points. The country office disseminated information on the mechanism through radio messages, hoarding boards at distribution sites, leaflets, cooperating partners and community volunteers. In 2021, the hotline received over five hundred calls, a notable increase compared to 2020. Considering data as of September 2022, it is likely that the number of calls will further increase in 2022.

35. The audit reviewed the coverage of the community feedback mechanism, the quality and integrity of the information recorded and follow-up on the feedback received.

Figure 2: Control test results for beneficiary management



Observation 2: Management of the community feedback mechanism

36. From January 2021 to June 2022, the country office organized 12 community feedback mechanism awareness sessions. The scope of the community feedback mechanism did not cover all programmes as confirmed by the audit visit to activities in Nuwakot district. These activities were relevant for the community feedback mechanism as they included construction works, and the hotline would have been a key accountability tool.

37. In 2021, the country office improved the community feedback mechanism’s intake process through the introduction of a standard form for capturing feedback. Since its introduction, the country office has not used the form consistently and has not maintained supporting documents for all follow-up actions. The audit identified data quality issues in the community feedback mechanism database, including records with a closing date earlier than the date feedback was received.

38. In 2021, the country office drafted a community feedback mechanism standard operating procedure and identified implementation of the corporate customer relationship management system as a priority action. The initial timeline indicated the purchase of one licence in 2022 and the country office has initiated discussion with headquarters. At the time of the audit fieldwork, both this plan and the standard operating procedure had not been finalized.



Underlying cause(s): Community feedback mechanism not covering all activities; absence of a periodic quality review of the feedback recorded; and the absence of a customer relationship management system.

Agreed Actions [Medium priority]

The country office will:

- (i) Plan the rollout of the community feedback mechanism for all remaining activities.
- (ii) Carry out a periodic quality review of the feedback recorded.
- (iii) In coordination with the headquarters Technology Division, roll out the corporate system for customer relationship management.

Timeline for implementation

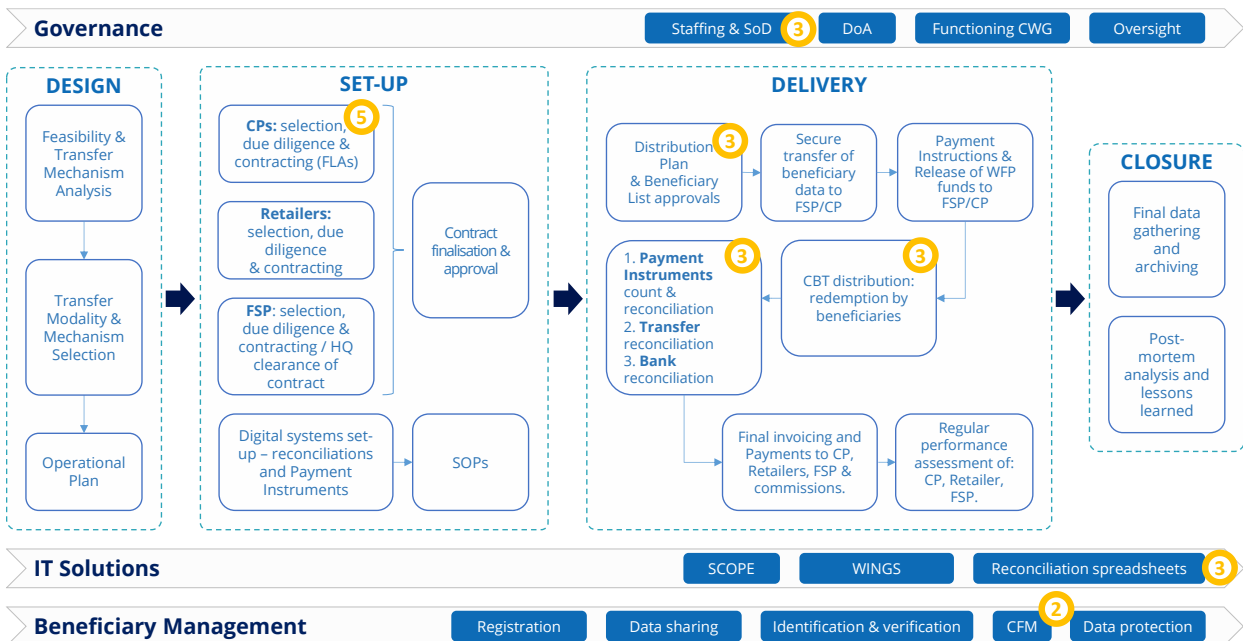
30 June 2023

Cash-based transfers

39. The country office delivered USD 6.2 million in cash-based transfers to beneficiaries during the audit period. Unconditional cash transfers for emergency food assistance accounted for 54 percent of that amount and conditional cash transfers under asset creation activities for 43 percent. The country office contracted a financial service provider to deliver bank account transfers to selected beneficiaries or remittance services to those who did not own bank accounts.

40. The audit performed tests of key controls in cash-based transfer processes and systems, including governance, set-up and delivery as illustrated in Figure 3. The audit also reviewed recommendations resulting from a regional bureau oversight mission on the country office’s cash-based transfer activities in 2021.

Figure 3: Control test results for cash-based transfers





Observation 3: Management of cash-based transfer interventions

42. There was a concentration of responsibilities in the country office due to the limited number of staff working on beneficiary management and cash-based transfers. The country office did not train alternates. In instances of staff absence or the scale-up of operations, this presents a risk to business continuity.

43. The country office used the corporate beneficiary information and transfer management platform to manage beneficiary lists and payment instructions. In the absence of a corporate tool to manage the end-to-end conditional cash transfer interventions, the country office used spreadsheets to track the programme conditionality criteria, such as participant attendance, and to calculate the entitlement per beneficiary.

44. The manual process to manage distribution cycles was complex, time-consuming and prone to human error. The country office receives the conditionality files from the field office for each location; reviews and validates them; runs a deduplication check on the individual list; and imports the lists into the corporate platform to process the payment cycle. The detailed review of sampled distribution cycles did not identify any significant discrepancies.

45. The country office did not carry out a comprehensive and detailed reconciliation of conditionality files, payment instructions and reports from the financial service provider, limiting the overall visibility over the status of the various cash-based transfer interventions.

46. For the remittance modality, the contract with the financial service provider defined an entitlement validity period of 30 days for beneficiaries to redeem their benefit with an automatic sweepback of unredeemed balances. Beneficiaries could cash out within the subsequent two months. This resulted in risk of misalignment between the intervention and the programmatic objectives, and risk of increased complexity of the reconciliation process.

Underlying cause(s): Limited resources to support cash-based transfer operations; absence of a corporate tool to manage the end-to-end conditional cash transfer intervention; absence of an automated reconciliation system and dashboard; and limited assessment of the risk implications of the undefined timeframe for entitlement redemption.

Agreed Actions [Medium priority]

The country office will:

- (i) Review the adequacy of resources for the cash-based transfer function and identify and train alternates.
- (ii) In coordination with the headquarters data assurance team and regional bureau, consider a digitalized and automated solution to reduce manual processes for preparing beneficiary lists and payment instructions for conditional cash transfers. Based on the proposed solution, assess the residual risks and establish compensating controls.
- (iii) In coordination with the headquarters data assurance team and regional bureau, identify opportunities to develop reconciliation tools based on data-driven solutions; and develop a management dashboard to improve assurance and monitoring activities over cash-based transfers.
- (iv) Reassess the entitlement validity period, raise awareness of partners and beneficiaries, and update/enforce the contract with the financial service provider accordingly.

Timeline for implementation

30 September 2023



Supply chain

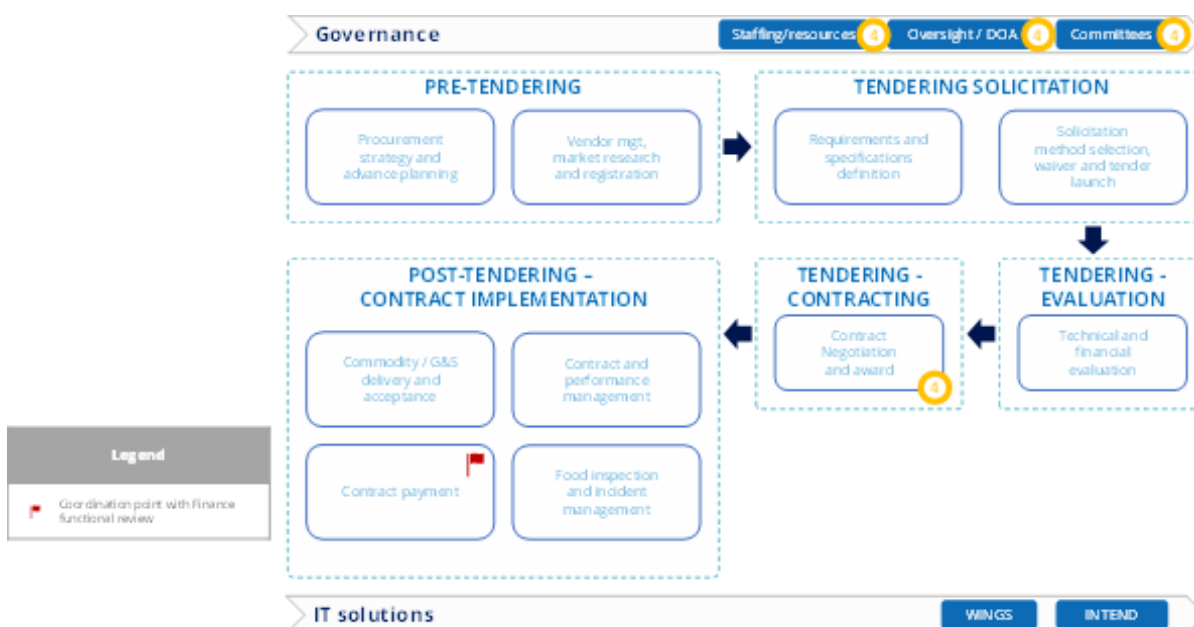
47. Supply chain in the Nepal Country Office includes procurement and logistics functions. The audit assessed supply chain key controls (see Figure 4 for results), including market assessment, supplier and transporter selection, contracting, performance management process, and commodity management practices.

Procurement

48. During the audit period, local procurement amounted to USD 6.9 million; 86 percent of which related to the purchase of goods and services. The country office had a centralized procurement set-up and used the corporate electronic tendering system systematically to manage requests for proposal or quotations.

49. In April 2022, the country office contracted a consultant to conduct a procurement compliance review. The report identified areas of improvement related to market assessments, updating the vendor roster and the timely evaluation of vendor performance. The audit acknowledged the country office’s efforts in addressing the recommendations.

Figure 4: Control test results for procurement



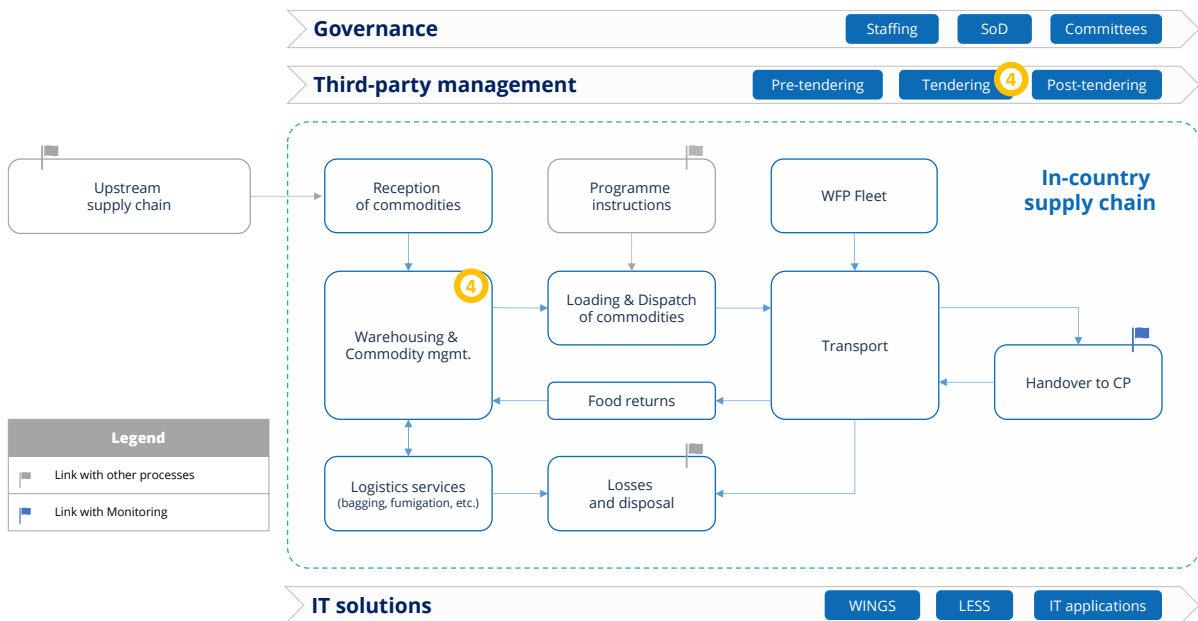
Logistics

53. The country office maintained two warehouses located close to the field offices and the border with India. The in-kind programme delivery requirement was around 5,000 metric tons per year.⁵ The supply chain unit contracted overland transporters to ship international supplies for school meals activities to in-country warehouses, and inland transport services to dispatch commodities and non-food items to final distribution points.

54. The review of local transport committee decisions highlighted the active participation of members, regular shortlisting and appropriate awarding processes for transporters.

⁵ Country Strategic Plan Logistics Plan

Figure 5: Control test results for logistics



Observation 4: Management of vendors and commodity accounting

55. The review of a sample of goods and services procurement highlighted a lengthy process with an average of five weeks for awarding contracts. While the country office had an extensive and updated list of committees, including procurement-related committees, the supply chain unit faced delays in obtaining committee members' signatures on the evaluation of tenders and contract award memos. There were no conflict of interest disclosures for food vendors.

56. In 2021, the country office carried out inland transporter performance evaluations and considered outcomes of the process when awarding 2022 contracts. To consider the non-food item component, the supply chain unit established its own set of criteria for the evaluations and did not use the online tool recommended by corporate guidelines for food transporters. Comprehensive documentation supporting the evaluation process was absent and the supply chain unit did not carry out a performance assessment for the overland transporter.

57. There were recurring backlogs in entering commodity movements in corporate systems. The key performance indicator measuring this process – the data reliability score – was below the regional and corporate average. For example, in August 2022, the indicator was 51 percent for the country office and 88 percent on average for the region. The regional bureau highlighted these backlogs in the monthly monitoring dashboard. The country office had yet to act following receipt of the dashboards. Upon audit request, the supply chain unit completed a preliminary root cause analysis for the backlogs, identifying access and capacity to use the corporate system as potential factors. The country office agreed to finalize the analysis and identify follow-up actions in coordination with the regional bureau.

Underlying cause(s): Limited training of newly recruited staff and members of procurement committee; criteria and sources for transporter evaluations different from the corporate standard; and the absence of an action plan to address the causes of the backlog.



Agreed Actions [Medium priority]

The country office will:

- (i) In coordination with the regional bureau, train newly recruited procurement staff and members of committee on the responsibilities related to their role and agree expected procurement timelines.
- (ii) Align performance evaluation criteria and data sources for food transport with the corporate standard.
- (iii) In coordination with the regional bureau, develop and implement an action plan to address the causes of the backlog for commodity accounting.

Timeline for implementation

30 June 2023

Non-governmental organization management

58. From January 2021 to June 2022, the country office contracted 19 non-governmental organizations, of which 16 were local organizations. Expenses under field-level agreements amounted to USD 10.8 million. Activity 3 accounted for approximately 48 percent of the costs, and activity 5 for 30 percent.

59. Country office management identified non-governmental organization management as an area requiring improvement and started taking actions in 2022. This included a process compliance review in June 2022; the development of an end-to-end standard operating procedure; and the introduction of financial spot checks.

60. The 2022 country office risk register highlighted the availability and capacity of local non-governmental organizations as a key risk to its operations. The audit tested the governance mechanisms and key controls designed to mitigate risks related to gaps in non-governmental organization availability and capacity. This included a review of non-governmental organization selection, initial assessments, capacity building plans and performance evaluations. The audit testing considered ongoing actions identified by management.

Observation 5: Selection and assessment of non-governmental organizations

61. The country office relied on one staff member within the finance team to manage field-level agreements. There was no designated programme officer or standard operating procedure for non-governmental organization management during the audit period. The country office drafted a standard operating procedure in June 2022.

62. There were inconsistencies in non-governmental organization management within the programme unit and gaps in business processes related to selection, assessment and performance evaluations of these organizations. For example, activity 5 management developed its own tool for selecting partners to compensate for the absence of a country office non-governmental organization roster and related due diligence exercise. At the time of the audit fieldwork, the country office was finalizing the partners' roster for emergency operations.

63. The country office did not carry out capacity assessments when contracting new non-governmental organizations and did not systematically assess the performance of existing partners. This resulted in the absence of specific risk mitigation measures and tailored capacity-strengthening plans for existing non-governmental organizations. There was instead a focus on the renewal of agreements and short-term partnerships.

64. Corporate guidance requires country offices to use the inter-agency partner portal as a coordination tool and to launch calls, select and vet non-governmental organizations. The country office used the portal only for vetting.



Underlying cause(s): Absence of a focal point for non-governmental organization management within the programme unit; and limited rollout of the guidance and standard operating procedure.

Agreed Actions [Medium priority]

The country office will:

- (i) Identify a focal point within the programme unit to lead the roll-out of the standard operating procedure and the management of non-governmental organizations.
- (ii) Carry out refresher training for activity managers on the guidance and standard operating procedure. Ensure the training includes aspects on capacity assessments and follow-up of performance evaluations.

Timeline for implementation

30 June 2023

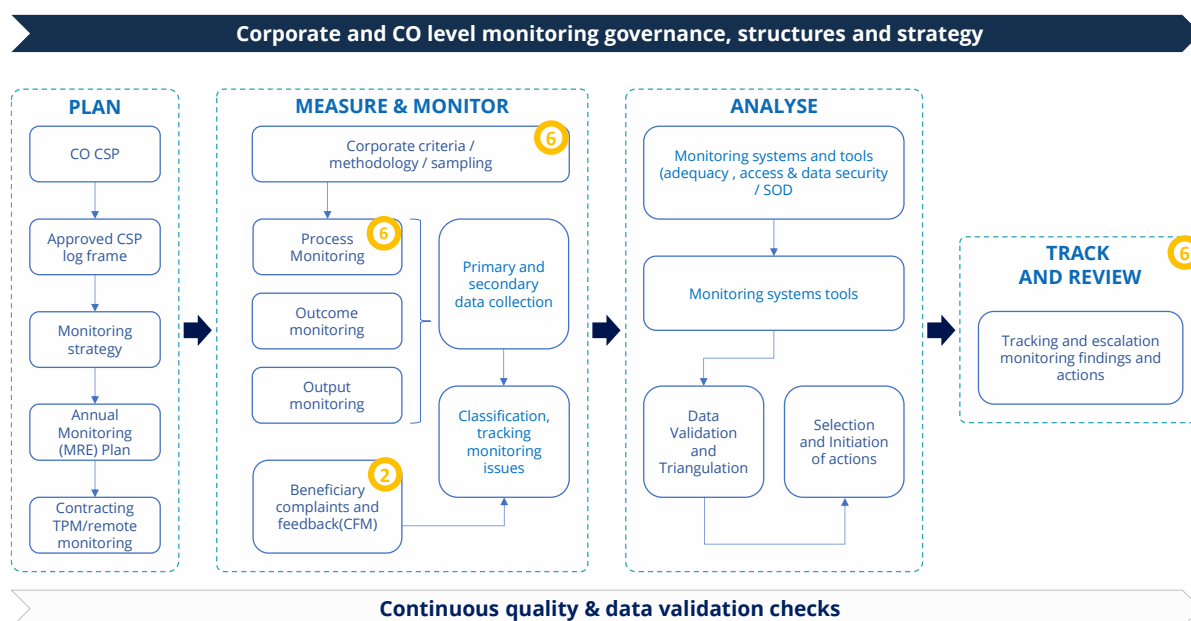
Monitoring

65. In 2019, the country office monitoring unit finalized a strategy covering the country strategic plan period, establishing activities and priorities aligned with said plan. The strategy included a baseline for monitoring capacity. The country office reassessed this capacity as part of the 2021 country strategic plan mid-term review.

66. These exercises identified as the main challenges for the monitoring process: (i) staff workload constraints and (ii) the limited effectiveness of monitoring in informing programme implementation and decision making. In 2021, the regional bureau conducted a remote oversight mission on monitoring and concluded that the country office met corporate monitoring requirements, recommending improvements in monitoring coverage and issue tracking.

67. The audit reviewed the implementation of recommendations and tested controls related to governance, selection of sites for process monitoring and follow-up on monitoring findings (see Figure 6 below). Audit testing highlighted that the monitoring unit had established a roster of personnel deployable for surveys and set appropriate tools for data collection. The country office piloted remote monitoring approaches to strengthen monitoring in hard-to-reach locations.

Figure 6: Control test results for monitoring





Observation 6: Process monitoring and feedback loops

68. The country office had more than 2,000 active sites with the capacity to cover around half of them on an annual basis. Interviews with country office staff and review of the 2022 risk register highlighted access to remote locations as a key challenge for monitoring. Field monitors carried out other activities related to programme implementation, which further constrained process monitoring capacity and could lead to potential conflicts of interest.

69. The methodology to identify sample sites for periodic process monitoring was random and did not allow for systematic selection and prioritization of sites to be visited. Field coordinators submitted monthly workplans only to heads of field offices. This approach partially affected the country office capacity to drive and review site selection.

70. The monitoring unit drafted action plans and shared them with activity managers and partners to compensate for the absence of a centralized tracking system for issues raised. This approach did not allow for systematic follow-up of monitoring findings.

71. To inform operational decision making based on outcomes of monitoring and evaluation, the country office had one working group and one steering committee. There was overlap between the terms of reference and members of the two groups. The working group had yet to meet in 2022, at the time of audit fieldwork. The country office had identified the overlap and a review of the steering committee's terms of reference was ongoing at the time of audit fieldwork.

Underlying cause(s): Absence of a robust methodology for distribution site selection; absence of tools for functional reporting of field coordinators to the monitoring unit; and absence of a centralized follow-up of issues raised.

Agreed Actions [Medium priority]

The country office will:

- (i) In coordination with the regional bureau establish a risk-based methodology for distribution site selection.
- (ii) Ensure field monitors prepare and submit a monthly monitoring workplan for the country office monitoring unit review.
- (iii) Establish a systematic follow-up process to track, prioritize issues and adjust programme implementation.

Timeline for implementation

30 June 2023

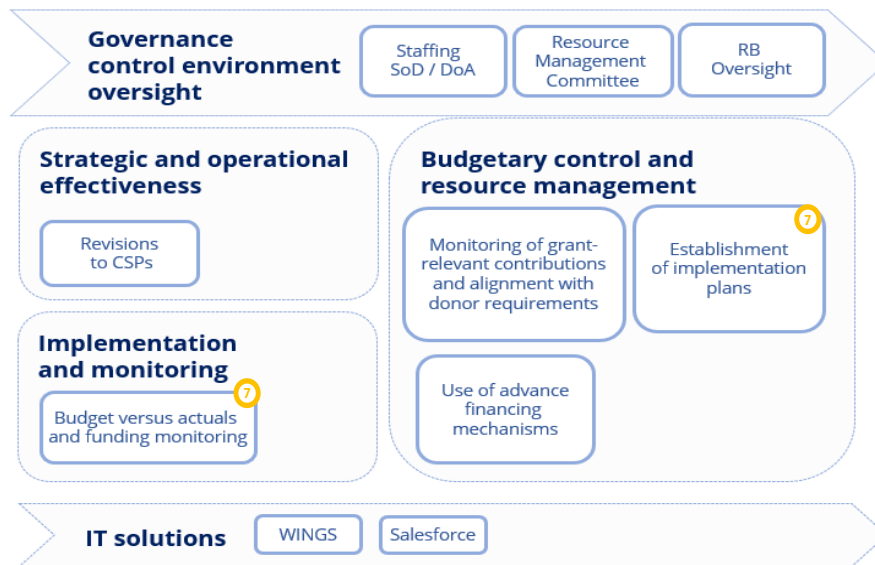
Budget management

72. Country office resource management activities were guided by the corporate manuals on budgeting and programming and the country portfolio budgeting guidelines. The country office national finance officer led the resource management function with support from one budget and programming associate. The audit reviewed the organizational structure and capacity of resource management, purpose and timeliness of budget revisions, resource allocation and funds management.

73. The audit relied on the 2021 regional bureau oversight report for testing of pipeline reporting and programming of funds. The regional bureau provided monthly resource management reports to the country office and highlighted pipeline management as a strength.



Figure 7: Control test results for budget management



Observation 7: Partnership action and expenditure plans

74. The country office carried out a review of the implementation plan as basis for budget revisions in January and December 2021. The country office did not regularly update the partnership action plan as recommended by the public partnership and resourcing guidance.

75. Activity managers did not maintain expenditure plans as part of regular budget monitoring, which resulted in overspending on various planned costs. For example, during the country strategic plan period and as of September 2022, resilience activities had an overspend of USD 2.7 million under the cooperating partner planned costs within the transfer cost category. It should be noted that this approach did not imply any overspending in consolidated costs at the higher cost category level.

Underlying cause(s): Limited cross-functional coordination over resource mobilization; and absence of activity expenditure plans at the planned cost level.

Agreed Actions [Medium priority]

The country office will:

- (i) Update the partnership action plan based on feedback from members of the resource management committee.
- (ii) Maintain the activity expenditure plans at the planned cost level with any deviation approved by the resource management committee.

Timeline for implementation

31 July 2023

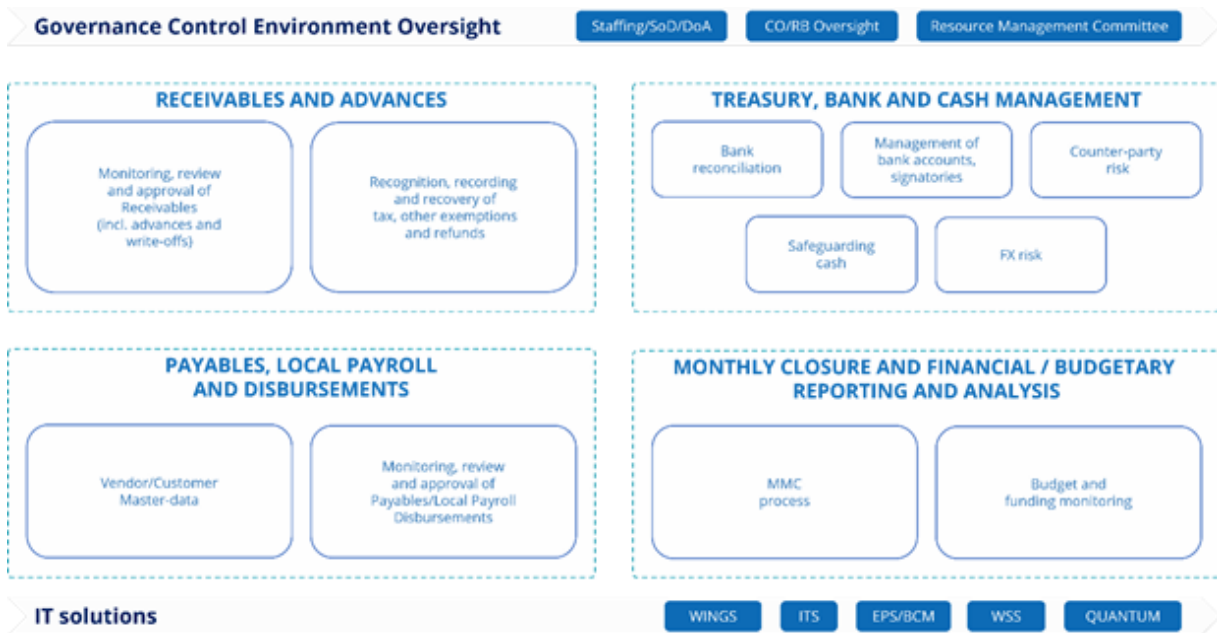


Finance

76. The audit covered the finance controls illustrated in Figure 8 below via linkages to other areas (including procurement, non-governmental organization management and cash-based transfers) and review of country office mitigations for risk items captured in the financial dashboard.

77. In general, controls were established and functioning, no reportable findings arose from the audit.

Figure 8: Control test results for finance





Annex A – Agreed action plan

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

The agreed action plan is primarily at the country office level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Follow-up of oversight recommendations	Cross-cutting	Country Office	Medium	30 June 2023
2	Management of the community feedback mechanism	Beneficiary management	Country Office	Medium	30 June 2023
3	Management of cash based-transfer interventions	Cash-based transfers	Country Office	Medium	30 September 2023
4	Management of vendors and commodity accounting	Supply chain	Country Office	Medium	30 June 2023
5	Selection and assessment of non-governmental organizations	NGO management	Country Office	Medium	30 June 2023
6	Process monitoring and feedback loops	Monitoring	Country Office	Medium	30 June 2023
7	Partnership action and expenditure plans	Budget management	Country Office	Medium	31 July 2023



Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, UNOPS and WFP adopted harmonized audit rating definitions, as described below:

Table B.1: Rating system

Rating	Definition
Effective / satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well, to provide reasonable assurance that issues identified by the audit were unlikely to affect the achievement of the objectives of the audited entity/area.
Some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
Major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated.

2 Priority of agreed actions

Audit observations are categorized according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Table B.2: Priority of agreed actions

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

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.⁶

⁶ 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 Monitoring the implementation of agreed actions

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.

The Office of Internal Audit monitors agreed actions from the date of the issuance of the report with regular reporting to senior management, the Independent Oversight Advisory Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, the Office of Internal Audit will issue a memorandum to management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, the Office of Internal Audit continues to ensure that the office in charge of the supervision of the unit who owns the actions is informed. Transparency on accepting the risk is essential and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. The Office of Internal Audit informs senior management, the Independent Oversight Advisory Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



Annex C – Acronyms

CBT	Cash-based transfer
USD	United States dollars
WFP	World Food Programme

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