



3 February 2023

## Internal Audit of WFP Operations in Nepal (AR/22/20)

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### Management Comments

WFP Management welcomes the observations made by the Office of the Inspector General (OIG) in the internal audit report (AR/22/20) on WFP operations in Nepal, covering the period from 1 January 2021 to 30 June 2022. WFP Management appreciates the focus on key segments of its operations, namely beneficiary management, cash-based transfers, supply chain, monitoring, finance, budget management and the management of non-governmental organizations.

The Country Strategic Plan (CSP) for the period 2019-2023 repositioned WFP in new focus areas, initiating the transition from direct assistance to technical support for the strengthening of existing government institutions and the development of new ones. There are six related strategic outcomes addressing Sustainable Development Goals 2 (Zero Hunger) and 17 (Partnerships for Goals), with a total budget of USD 165.5 million following a fourth budget revision in 2021. The CSP reflects the Zero Hunger Strategic Review recommendations to achieve zero hunger by 2030. It is designed to align with Nepal's new federal governance structure adopted in the 2015 Constitution of Nepal and implemented following the 2017 elections, the constitutional right to food enshrined in the Right to Food Act 2018, relevant government plans and policies and the United Nations Development Assistance Framework (UNDAF) 2018-2022. The inclusion of everyone – irrespective of gender, caste or disability – has also been emphasised throughout the CSP.

During the audit period, WFP provided 2.7 million people with conditional and unconditional food assistance through 7,705 mt of food and USD 8 million in cash-based transfers. Technical assistance was also provided to strengthen government institutions. Despite the challenges caused by a second wave of COVID-19, WFP rapidly adapted its activities to support the government's response and address the impact on households vulnerable to increased food insecurity and reduced livelihood opportunities. The impact of climate change has exacerbated the effects of the pandemic on vulnerable communities, compounded by unpredictable and extreme weather events including unseasonal flooding and landslides.

WFP Management acknowledges the audit's overall conclusion of **"some improvement needed"** and agrees with the seven medium-priority observations and the corresponding agreed actions. The independent feedback provided by the audit team is a welcome



recognition that the issues identified are unlikely to significantly affect the achievement of the objectives of the audited entity/area, and as confirmation of existing strengths and good practices. These include the procurement compliance review undertaken in April 2022 and efforts taken to address the resulting recommendations, the identification of non-governmental organization management as an area requiring improvement which resulted in a process compliance review conducted in June 2022; the introduction of financial spot checks; and the development of end-to-end standard operating procedures.

The audit acknowledged the efforts made to address the challenges of monitoring activities in Nepal's hard-to-reach locations through the piloting of remote monitoring approaches, the use of appropriate tools for data collection, and the establishment of a roster of personnel deployable for conducting surveys. In addition, it also recognised that in general, financial controls were established and functioning, and no reportable findings or observations were noted in this area.

In pointing out areas for improvement, the audit provides valuable insights for the country office to strengthen its internal controls. WFP Management is committed to implementing the agreed actions within the specified timeline and has initiated the processes required to fully address the agreed actions, which will be completed in 2023.

- A corporate system for customer relationship management will be rolled-out and the community feedback mechanism expanded to include all remaining activities.
- Efforts to strengthen cash-based transfer operations will be continued through coordinating with headquarters and the Regional Bureau for Asia and the Pacific to consider digital and automated solutions for preparing beneficiary lists and payment instructions for conditional cash transfers, and the development of reconciliation tools.
- An action plan to address the causes of the backlog in commodity accounting will be developed and implemented. Standard operating procedures for the management of non-governmental organizations will be rolled out following endorsement by country office management in December 2022.
- To strengthen monitoring, a risk-based methodology for distribution site selection will be established. Field monitors will submit monthly monitoring plans directly to the country office to allow site selection review, and a systematic follow-up process will be established to track and prioritize issues identified through process monitoring to adjust programme implementation.
- A focal point will be appointed to coordinate and monitor the implementation of agreed audit actions and recommendations from evaluations and oversight missions and initiate the process to establish an appropriate follow-up system.



WFP Management would like to thank the Office of the Inspector General for its thorough analysis and excellent collaboration with the country office team. Regular reviews of the progress on agreed actions will be undertaken, and evidence of completion provided through WFP's corporate tracking tool. WFP Management is confident that the implementation of the agreed actions will further strengthen the governance, risk management, and internal control processes of WFP's operation in Nepal.