

SAVING
LIVES
CHANGING
LIVES

Internal Audit of WFP Operations in Honduras

Office of the Inspector General
Internal Audit Report AR/23/13



World Food
Programme

October 2023



Table of Contents

I.	Executive summary	3
II.	Country context and audit scope	5
III.	Results of the audit	7
	Governance and risk management	7
	Observation 1. Risk management and oversight	7
	Programme delivery	8
	Observation 2. School feeding operational model	8
	Observation 3. Resilience activities approach and project management	9
	Observation 4. Beneficiary information management for resilience activities	10
	Observation 5. Digitalization of processes to support resilience activities	12
	Observation 6. Accountability to the affected population	13
	Management of cooperating partners	14
	Observation 7. Selection, management and oversight of cooperating partners	14
	Supply chain	16
	Observation 8. Supply chain management	18
	Monitoring	20
	Observation 9. Monitoring strategy and processes	20
	Annex A – Agreed action plan	22
	Annex B – Definitions of audit terms: ratings & priority	23
	Annex C – Acronyms	25
	Annex D – List of figures	25



I. Executive summary

WFP Honduras Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Honduras. The audit focused on governance and risk management, budgeting and programming, programme delivery, management of cooperating partners, supply chain, cash-based transfers, monitoring, and environmental and social standards. The audit covered the period from 1 June 2022 to 30 June 2023.

2. WFP in Honduras supports children enrolled in the National School Feeding Programme. The country office's Country Strategic Plan 2023-2027 was approved in November 2022 with a budget of USD 635 million.

3. In 2022, WFP's total operational costs amounted to approximately USD 46.5 million, and the country office reached more than 1.8 million beneficiaries. The audit focused on the following two activities under strategic outcomes 2 and 3, which accounted for 72 percent of the country office's total expenditure and 80 percent of the beneficiary caseload in 2022:

- (i) *Activity 3: Provide food and technical assistance to vulnerable rural populations and support to social protection systems and local actors to build and strengthen the livelihoods of vulnerable rural populations and make their food systems more sustainable, diverse and resilient to climate change and multi-pronged crises.*
- (ii) *Activity 5: Provide nutritious school meals to preschool- and school-age girls and boys, ensuring their access to social protection, and strengthen the role of the school as a hub for addressing children's health, nutrition and socialization needs.*

4. The Office of Internal Audit relied on the results of oversight missions carried out by the Regional Bureau for Latin America and the Caribbean. The areas where the audit relied on the oversight and support mission results are indicated in this report's relevant sections.

Audit conclusions and key results

5. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **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.

6. Resilience activities represented the largest share of expenditures of the country office in 2022, amounting to 54 percent of WFP's direct operational costs in Honduras. Under the 2023 - 2027 country strategic plan, WFP aims to contribute to the development of more diverse and resilient rural and urban food systems and livelihoods, as well as strong, well-functioning national social protection systems.¹ Given the strategic importance of resilience-building activities for WFP in Honduras, management attention is required to ensure that their implementation is aligned with corporate guidance and that risks are adequately mitigated.

Country office's achievements

7. As reported in the country office's 2022 Annual Country Report,² WFP played a key advisory role for the Government through technical assistance to implement national priorities in the areas of education, social inclusion, and natural resources and environment. This led to the renewal of the Memorandum of Understanding to resume the National School Feeding Programme, which was halted due to the COVID-19 pandemic. Government partners and other stakeholders highlighted the WFP's responsiveness and implementation capacity, particularly regarding the quality of food and timeliness of delivery in support of the national school feeding programme.

¹ [WFP Honduras Country Strategic Plan 2023 - 2027](#).

² [WFP Honduras Annual Country Report 2022](#)



Risk management and oversight

8. The country office did not have an adequate organizational structure to facilitate the implementation of structured risk management and oversight. There were gaps and inconsistencies in the definition of oversight mechanisms and reporting lines between field offices and the country office, resulting in inconsistent practices across field offices and shortcomings in operational reporting to the country office.

Resilience approach

9. Resilience activities were not supported by project management practices and required further integration with WFP's policy on resilience for food security and nutrition, particularly to ensure that: i) activities focus on the most vulnerable, and ii) interventions are evidence-based and focused on long-term results. The absence of a comprehensive project database, integrated with activity management, cash-based transfer distribution plans, and monitoring plans, resulted in inconsistent approaches and limited oversight.

Beneficiary management for resilience activities

10. Beneficiary targeting for resilience activities was based on an outdated integrated context analysis. Community-based targeting was susceptible to potential inherent conflict of interest resulting from the various roles of cooperating partners in the projects and their relationship with beneficiary communities. Beneficiary data cleaning and deduplication were done manually using spreadsheets, leaving potential risks of errors or manipulation potentially unmitigated. The country office did not perform a privacy impact assessment.

Management of cooperating partners

11. The organizational structure of the country office and the allocation of roles and responsibilities for the management of cooperating partners required strengthening to ensure that partners' selection, contracting, oversight, reporting and performance assessment are consistent with corporate standards and mitigate potential risks in activity implementation.

Monitoring

12. Shortcomings in the organizational structure, planning, and implementation of monitoring activities impacted the coverage and quality of monitoring activities. The collection and analysis of monitoring information, data, and issues were not structured to capture, escalate, and follow up on trends, risks, and issues to inform programmatic decisions, correction, and/or strengthen internal controls.

13. Other issues were noted in the areas of accountability to the affected population, the operational model of the school feeding activity, and supply chain.

Recurring issues

14. Similar audit observations were raised in a previous internal audit report,³ in the areas of resilience activity implementation, beneficiary management, cash-based transfers, management of cooperating partners, accountability to affected populations, and monitoring. Following the results of the 2023 audit, the country office reported having proactively approached the Regional Bureau for Latin America and the Caribbean to request additional oversight and support covering the implementation of the school feeding programme, accountability to affected populations, cooperating partner management, and monitoring.

Actions agreed

15. The audit report contains six high-priority observations and three 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!

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

³ Internal Audit of WFP Operations in Honduras - August 2019 - [AR/19/17](#)



II. Country context and audit scope

Honduras

17. Honduras is a lower-middle-income country. It has an estimated population of 10.6 million as of 2023, ranking 137 out of 191 countries on the Human Development Index in 2021.⁴ Honduras ranks 62 of 121 countries in the 2022 Global Hunger Index,⁵ and the country ranked 157 of 180 countries in the 2021 Transparency International Corruption Perception Index.⁶ Honduras is vulnerable to natural disasters, such as hurricanes, floods, droughts, and floods, which limit food availability. Despite having sustained economic growth in the last two decades, the country continues to face income inequality, violence, displacement, migration, and poverty.⁷

18. The United Nations Sustainable Development Cooperation Framework (UNSDCF) in Honduras 2022 – 2026 aims to work with the Government and the civil society towards the achievement of the 2030 agenda, in alignment with the priorities established in the country's 2030 national agenda.⁸ The resources allocated towards the sustainable development goal 2 – zero hunger represented 14.9 percent of total resources available under the UNSDCF in 2022.⁹

WFP operations in Honduras

19. WFP launched its Honduras Country Strategic Plan 2018-2021 in February 2018 with a budget of USD 115 million. The country office subsequently increased the budget to USD 304 million through eight budget revisions and extended its duration by a year through December 2022. Due to the delays in implementation, mainly due to the COVID-19 pandemic and the impact of hurricanes Eta and Iota, additional time was needed to complete the required evaluations and design the 2023-2027 Country Strategic Plan, launched in October 2022 with a budget of USD 634 million.

20. As reported in the WFP Honduras 2022 annual country report, during that year, WFP delivered 8,824 metric tons of food, USD 14.9 million through cash-based transfers and USD 7.6 million through commodity vouchers. It assisted 1.9 million beneficiaries, including 1.3 million schoolchildren through the national school feeding programme, resumed after two years of school closures. The Government fully funded the national school feeding programme with its own resources. In addition, WFP implemented school infrastructure projects and other school-based activities funded by other donors.

Objective and scope of the audit

21. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance, risk management processes related to WFP operations in Honduras. 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.

22. The audit focused on the following activities under strategic outcomes 2 and 3, which accounted for 72 percent of the country office's total expenditure and 80 percent of the beneficiary caseload in 2022.

- *Activity 3: Provide food and technical assistance to vulnerable rural populations and support to social protection systems and local actors to build and strengthen the livelihoods of vulnerable rural populations and make their food systems more sustainable, diverse and resilient to climate change and multi-pronged crises.*

⁴ [UNDP Human Development Report 2021/2022](#)

⁵ [The Global Hunger Index](#) is a tool that measures and tracks hunger globally as well as by region and by country.

⁶ Transparency International's [Corruption Perceptions Index 2021](#)

⁷ [WFP Honduras Annual Country Report 2022](#)

⁸ [Honduras United Nations Sustainable Development Cooperation Framework 2022-2026](#).

⁹ [Sustainable Development Goals - United Nations in Honduras](#)



- *Activity 5: Provide nutritious school meals to preschool- and school-age girls and boys, ensuring their access to social protection, and strengthen the role of the school as a hub for addressing children's health, nutrition and socialization needs.*

23. The audit builds on a tailored review of key controls under priority focus areas informed by a risk-based approach. To minimize duplication of efforts and leverage the second-line assurance work, the audit relied on three oversight and support missions carried out by the Regional Bureau for Latin America and the Caribbean (hereinafter referred to as “the Regional Bureau”).

24. As a result, the seven areas in scope for the audit included: (i) governance and risk management; (ii) budgeting and programming; (iii) programme delivery; (iv) management of cooperating partners; (v) supply chain; (vi) monitoring; and (vii) environmental and social standards.

25. The audit did not cover resource mobilisation, finance, human resources management, management services, information and communications technology, security, and gender and diversity.

26. The audit mission took place from 24 July to 10 August 2023 at the country office in Tegucigalpa. It included visits to the Choluteca field office and operations in the states of Choluteca, Comayagua, and La Paz, and to the warehouse in San Lorenzo.

27. 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

28. The following sections correspond to the seven areas in the audit's scope (as described in paragraph 2323), with related observations arising from the audit.

29. Nine observations arose from the audit of the areas in scope. The observations are grouped into four areas: (i) governance and risk management; (ii) programme management, covering results in programme delivery, management of cooperating partners, environmental and social standards, and budgeting and programming; (iii) supply chain; and (iv) monitoring.

30. Observations are assessed with a priority rating of high or medium. Any other audit issues assessed as a low priority were discussed with the country office directly and are not reflected in the report.

Governance and risk management

Observation 1. Risk management and oversight

Risk management

31. WFP corporate guidance recommends the timing and frequency of fraud risk assessments as an effective fraud deterrent and a means to help managers allocate appropriate resources based on their assessment of the impact and likelihood of the risk of fraud.¹⁰ Such assessments are recommended when projects or offices undergo major changes, or at the programme planning stage. At the time of the audit fieldwork, no country-level fraud risk assessment had been carried out in Honduras.

32. The country office's 2023 risk register did not include several risks identified through the audit work, and which may impact the achievement of the country office's objectives. These include critical risks related to the organizational structure of the office, the absence of a structured monitoring function, aspects of accountability to affected populations, and management oversight, which were not properly managed and monitored through the country office's risk register.

Organizational structure and management oversight

33. The organizational structure in place at the time of the audit fieldwork responded to the needs of the previous country strategic plan and did not facilitate the implementation of adequate management oversight mechanisms. The reporting lines and allocation of roles and responsibilities between the field offices and the country office were either unclear or not followed as planned, particularly in areas that required extensive coordination such as activity implementation and monitoring. Project management controls for resilience activities were not integrated, making implementing oversight checks difficult.

34. The country office completed an organizational realignment exercise in April 2023, which is expected to address some of the critical structural challenges of the office – such as the absence of a research, assessments, and monitoring unit and the unclear structure of the programme unit. At the time of the audit fieldwork, the country office was yet to develop a plan and a change management strategy to guide the implementation of the organizational alignment recommendations. The country office indicated that such a plan would be developed in September 2023.

Underlying cause(s): Priority is given to routine implementation of activities and projects, leaving limited resources to focus on oversight and risk management. Legacy organizational structure and limited financial resources to implement robust oversight mechanisms or to establish a compliance function.

¹⁰ WFP fraud risk assessment guide, November 2019.



Agreed actions [Medium priority]

The country office will:

- 1) With the support of the Regional Bureau and the Risk Management Division, implement an oversight and risk management plan, including a fraud risk assessment.
- 2) With the support of the Regional Bureau, implement changes to the organizational structure, including the clarification of roles, staff terms of reference and reporting lines for key functions and between the country office and the field; accompanied with a robust change management strategy.

Timeline for implementation

- 1) 30 June 2024
- 2) 30 September 2024

Programme delivery

35. Through a memorandum of understanding with the Government of Honduras, WFP contributed to the implementation of the national school feeding programme by providing food rations to 1.3 million preschool and primary school-aged children in the 2022 school year.¹¹ This activity represented 69 percent of the beneficiaries assisted in 2022 and 21 percent of the country office's expenses for the same year.

36. The country office reached 240,595 people through resilience-building activities, including community asset creation, rehabilitation, and environmental conservation. In addition, WFP assisted 363,500 people through its emergency response programme in 2022.

37. The audit covered the implementation of the school feeding programme and resilience activities, including beneficiary management, aspects of accountability to the affected populations, and cooperating partnership management. It also partially covered the budgeting and programming processes to support the school feeding and resilience activities.

38. The audit partially relied on the results of the June 2023 Regional Bureau virtual oversight and support mission covering cash-based transfer operations: the management oversight report raised eight priority actions, of which six were rated high risk.¹²

Observation 2. School feeding operational model

Implications of the operational model

39. The agreement with the Government of Honduras for the implementation of the national school feeding programme entails mainly a logistical role for WFP. The country office delivers food purchased with funds advanced by the Government, to approximately 360 district warehouses across the country. From that point, local governments and schools coordinate the secondary transport and final delivery to schools. WFP supplements its work with value-adding technical assistance and capacity-strengthening activities with local and national government institutions.

40. Under the current setup, accountability for the programme's functioning is shared with the government partners, and WFP does not have direct control over the last-mile delivery to beneficiaries. WFP's corporate guidelines¹³ establish the requirements for school-based programmes in areas such as (i) accountability to

¹¹ [WFP Honduras Annual Country Report 2022](#).

¹² High-risk observations related to changes to the beneficiary payment lists; absence of programmatic reconciliations; manual data manipulation; monitoring of cash-based transfer operations; outdated market functionality index; and undocumented targeting criteria.

¹³ WFP's programme guidance manual.



the affected populations (including applicable aspects of protection from sexual exploitation and abuse, and community feedback mechanisms); (ii) the design and extent of monitoring activities required, including the requirements for outcome monitoring; and (iii) beneficiary counting and output indicators. These aspects required further assessment by the country office to ensure compliance with relevant guidelines considering the operational model implemented in the country.

41. WFP's school feeding strategy 2020-2030 further establishes a framework to define its programmatic role and strategic response at the country level, based on the availability of funding and capacity of national governments, among other considerations. The country office needed to assess its programmatic role vis-à-vis these variables to ensure the implementation of a coherent approach as established in the corporate strategy.

Underlying cause(s): The Government's preference for a programmatic approach over a service provision operation; some of the WFP-specific programmatic aspects of the activity are not fully outlined in the agreements.

Agreed actions [Medium priority]

The country office will, with the support from the school-based programmes unit in headquarters and the Regional Bureau, assess the implications of the school feeding model in the country to determine any further actions and mitigations required regarding accountability to affected populations, and monitoring and evaluation arrangements, to ensure alignment of the activity with the relevant WFP corporate guidelines.

Timeline for implementation

30 June 2024

Observation 3. Resilience activities approach and project management

42. The country office prepared a resilience strategy in response to a 2019 audit recommendation.¹⁴ At the time of the audit fieldwork in August 2023, the strategy was not consistently implemented due to funding restrictions. As a result, the selection and implementation of resilience activities were reactive to, and dependent on the availability of funding and donors' conditions and requirements.

43. In particular, it was unclear how the resilience activities combined immediate relief requirements with long-term development objectives to ensure protection of the most vulnerable. In the absence of structured monitoring processes (refer to Observation 9), resilience-building initiatives were not adequately assessed to determine their medium and longer-term impacts on food security and nutrition in the face of recurrent shocks and stressors.¹⁵

44. Key aspects of project management were not consistently applied to all resilience projects. The country office did not have a consolidated list of projects indicating the sites, beneficiaries, nature of the project, activities implemented, and partners involved. The lack of such a database impeded aspects of project management, monitoring and oversight: there was no direct linkage between a list of active projects and the spreadsheets used for (i) the planning and execution of cash-based transfers and (ii) the planning of monitoring activities.

¹⁴ Audit report number [AR/19/17](#), page 10.

¹⁵ As required by WFP's Policy on building resilience for food security and nutrition.



45. The implementation of resilience projects was decentralized and delegated to the field offices and cooperating partners. Oversight from the country office was not adequately structured to ensure an appropriate audit trail of key project management decisions, such as the definition and selection of target sub-groups and the activities implemented with each of them.

Underlying cause(s): Unclear organizational structure of the programme unit, coupled with reporting lines not followed as planned; limited or unstructured coordination between country office and field offices; absence of an updated standard operating procedure on the end-to-end project management process; resilience activities financed with short-term funding.

Agreed actions [High priority]

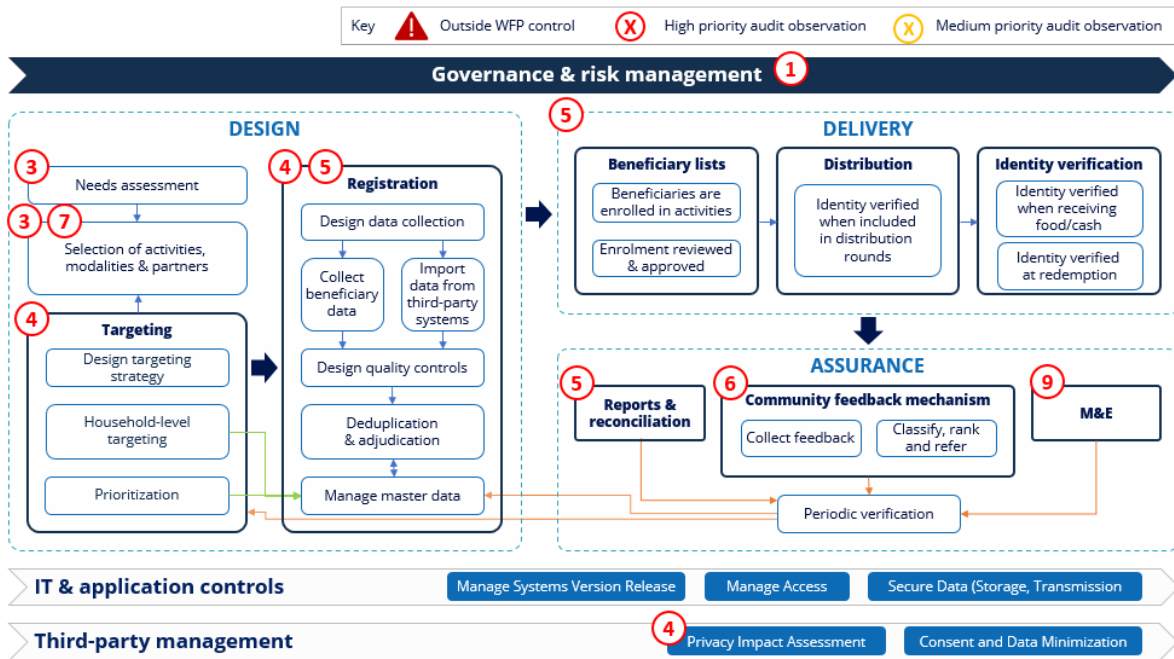
The country office will implement i) a project management standard operating procedure for resilience activities, defining the roles and responsibilities and the tools and audit trail at each stage of the projects, and ii) a project master list integrated with the planning and execution of cash-based transfers and monitoring activities.

Timeline for implementation

31 December 2024

Observation 4. Beneficiary information management for resilience activities

Figure 1: Simplified process diagram and related audit observations for beneficiary management



Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations, and yellow represents medium-priority observations).



Targeting, registration, and validation

46. The country office did not have a comprehensive beneficiary targeting strategy, as required per corporate guidelines, to establish the processes and consistent mechanisms to (i) define target groups, targeting methods and eligibility criteria; (ii) identify eligible households and individuals; and (iii) monitor the outcomes of targeting decisions. The latest Integrated Context Analysis¹⁶ was dated April 2017. No reevaluation was carried out to assess the impacts of the COVID-19 pandemic, the Eta and Iota hurricanes, and to inform the design of the new Country Strategic Plan 2023-2027.

47. The country office's prioritization strategy relies on a combination of geographic targeting (mainly driven by the donors' conditions) and community-based targeting. The corporate targeting guidance identifies the risk that community-based targeting reinforces existing power imbalances and marginalization of groups.¹⁷ The guidance recognizes the identification of the right cooperating partners, complaints and feedback mechanisms, and field verification visits by independent parties as safeguarding tools for the targeting process. The design of key controls at the country office level did not ensure the effective implementation of these mitigations (refer to Observation 6 and Observation 7).

48. The designation of the local committee members presented a potential conflict of interest: the cooperating partners were members of the beneficiary communities and participated in all the relevant committees. The discussions on and changes to the lists of communities and beneficiaries prepared by the country office's vulnerability analysis and mapping unit were not documented and did not provide an adequate audit trail to ensure that the most vulnerable were targeted. The exercise entirely relied on committee validation in determining final beneficiary lists and such validation was not adequately documented. Such setup resulted in cooperating partners participating in targeting decisions and registration of beneficiaries, in addition to their regular role as activity implementers (refer to Observation 7).

49. The country office performed data processing activities, such as beneficiary data cleaning, deduplication, and preparation of the distribution lists, manually using spreadsheets. This manual process did not adequately mitigate the risk of error or manipulation, leaving a limited audit trail of any modifications made to the beneficiary lists.

Privacy impact assessment

50. The country office did not perform a privacy impact assessment for using beneficiary data to identify, assess, and mitigate the risks arising from collecting and utilizing personally identifiable information.

Underlying cause(s): Lean coordination and oversight between the country office and sub-offices; implementation of activities done on a project-by-project basis to meet donor requirements; absence of defined procedures and adequate systems to manage beneficiary data; insufficient internal resources and expertise in the country office to support the privacy impact assessment.

Agreed actions [High priority]

The country office will:

- 1) Conduct an updated Integrated Context Analysis and use the results to inform an updated targeting strategy and the implementation of a targeting standard operating procedure.
- 2) Implement systematic verification, automated deduplication, data review, and quality controls of the beneficiary lists resulting from targeting and validation exercises, ensuring adequate segregation of duties along the process; and reflect these processes in a detailed standard operating procedure.
- 3) With the assistance of the Global Privacy Office and the Regional Bureau, conduct a privacy impact assessment to establish processes and controls required to reduce privacy risks.

¹⁶ WFP's tool to identify the most appropriate programmatic strategies in specific geographical areas.

¹⁷ WFP Operational Guidance Note – Targeting and prioritization.



Timeline for implementation

- 1) 30 June 2024
- 2) 31 December 2024
- 3) 31 December 2024

Observation 5. Digitalization of processes to support resilience activities

51. Except at the data collection stage, where the country office used WFP's primary tool for data collection,¹⁸ manual processes were in place throughout the entire cash-based transfer cycle. The setup did not facilitate the management of beneficiary information from the creation and validation (household size, age, gender, location, detailed project, deduplication, analysis of the information) up to the delivery of assistance (assurance, segregation of duties, verification, reconciliation). Data was stored and managed in unencrypted spreadsheets, and sharing with cooperating partners was done via e-mail. Overall, the country office did not meet WFP's cash assurance framework standards related to data management, reconciliation, and segregation of duties.

52. The beneficiary payment lists were modified during the distribution cycle using a backup list of beneficiaries, which was not aligned with the longer-term nature of resilience activities and could result in an increased risk of fraud. Those changes were not documented nor communicated to the country office for vetting and approval. This issue was also raised in the June 2023 Regional Bureau oversight and support mission related to cash-based transfers.

53. At the time of the audit fieldwork in August 2023, the country office had not implemented the programmatic reconciliation required by the WFP's cash-based transfers assurance framework.

Underlying cause(s): Absence of a digital strategy to support the implementation of and control over programmatic activities; priority given to activity implementation and utilization of funds; lack of segregation of duties across the roles of cooperating partners; absence of defined procedures and adequate systems to manage beneficiary data.

Agreed actions [High priority]

The country office will:

- 1) Coordinate with the Cash-Based Transfers Division, in consultation with the Technology Division and the Regional Bureau, to conduct a support mission to establish and implement a strategy to digitalize activity delivery processes.
- 2) With the support from the regional bureau, review the end-to-end cash-based transfer process to establish the required digitalization, including aspects of segregation of duties, the establishment of standard operating procedures, tools and resources, and the implementation of an assurance framework.

Timeline for implementation

- 1&2) 30 September 2024

¹⁸ The tool is called MODA, a platform that allows data collection online and offline, in mobile or web formats.



Observation 6. Accountability to the affected population

Community feedback mechanism

54. The functioning of the community feedback mechanism did not meet the six assurance standards¹⁹ established in WFP's corporate guidelines. Beneficiaries enrolled in resilience activities and in the school feeding programmes interviewed by the audit team were unaware of the existence of community feedback mechanisms and a toll-free number to gather community feedback and complaints.

55. Collection of feedback and complaints was a manual process supported by a log managed in a spreadsheet. The tracking sheet contained insufficient and inconsistent information. It did not allow the comprehensive identification and analysis of recurring issues, root causes, and mitigating actions. Information on relevant timelines, type of feedback, priority level, and action implementation status were incomplete, inaccurate, or missing.

56. Monitoring and escalation of complaints were not adequately documented. Due to the data quality previously described, the information gathered through the mechanism was not escalated or communicated to the country office management, and limited analysis or evaluations were conducted across the country to identify and assign context-specific responses to protection or other risks in terms of safety and dignity, access, and data protection.

Protection from sexual exploitation and abuse (PSEA)

57. WFP's approach of zero tolerance for inaction on all forms of sexual exploitation and abuse indicates that any allegations shall be addressed as promptly, justly and effectively as possible. The country office did not carry out a self-assessment on protection from sexual exploitation and abuse. According to the recommended corporate self-assessment tool,²⁰ 10 core questions included therein should be reviewed and answered annually. Such an assessment would allow the country office to understand the status of prevention activities and define action plans going forward. In addition, none of the country office's cooperating partners performed the United Nations implementing partner capacity assessment on protection from sexual exploitation and abuse.²¹

58. During the audit field visits, WFP field staff interviewed did not know who the country office's PSEA focal points were. A previously existing United Nations interagency PSEA mechanism was no longer in place, and the country office did not approach the United Nations Country Team's Resident Coordinator for direction nor did it develop a compensatory internal approach.

Underlying cause(s): Country office's de-prioritization of self-assessments as these were deemed not mandatory; Insufficient beneficiaries' sensitization and cooperating partners' capacity strengthening on accountability and protection; local guidelines and standard operating procedures on classification and categorization of community feedback not finalized or consistently applied; turnover of staff in charge of the community feedback mechanism and PSEA; limited collaboration with the Regional Bureau, the United Nations Resident Coordinator and United Nations Country Team.

¹⁹ Reach and accessibility of channels; minimum data collection; case handling procedures; information management systems; feedback analysis, reporting and tracking; and quality assurance procedures.

²⁰ Included in the Annual Executive Director Assurance Exercise and Statement on Internal Control as per WFP's Enterprise Risk Management manual.

²¹ [United Nations implementing partner PSEA capacity assessment.](#)



Agreed actions [High priority]

The country office, with the support from the regional bureau, will:

- 1) Implement a community engagement strategy to enhance beneficiaries' awareness of the programme, availability of community feedback mechanisms, and cooperating partner capacity in awareness raising, retaining adequate audit trail of these activities.
- 2) Update its standard operating procedures and guidance on the management of the community feedback mechanisms, including case management, documentation and closure, escalation protocols, regular reporting to management, and key performance indicators.
- 3) With the support from the Ethics Office and the Regional Bureau, deploy a strategy on protection from sexual exploitation and abuse, to integrate it into activity implementation, advocacy, and messaging, providing training to the country office's focal points, and taking the opportunity to further collaborate with other Resident Coordinator and United Nations Country Team agencies on the matter.

Timeline for implementation

- 1) 30 September 2024
- 2) 31 December 2024
- 3) 31 December 2024

Management of cooperating partners

59. During the audit period, the country office contracted 25 cooperating partners to implement programmatic activities, 19 of which were local non-governmental organizations and entities. The value of field level agreements signed between June 2022 and June 2023 amounted to USD 5.7 million.

60. The audit assessed the governance arrangements and key controls designed to mitigate risks related to gaps in non-governmental organizations management, including a review of the selection process; functioning of the cooperating partner committee; field-level agreement management; capacity building and strengthening activities; reporting and performance evaluation; and oversight of non-governmental organizations.

Observation 7. Selection, management and oversight of cooperating partners

Set-up

61. The cooperating partners selection process was decentralized to the field offices, with limited oversight from the country office. A focal point at central level was appointed to support the field-level agreement management activities. Other aspects of oversight of cooperating partners' programme implementation, performance evaluation, and capacity building required enhanced coordination between the country office and the field offices.

Partner selection

62. The country office did not have a roster of cooperating partners, nor did it use the United Nations Partner Portal (UNPP) or assess partners' capacity against requirements identified in corporate guidance.²²

63. Regarding the decentralized partner selection process referred to in paragraph 62, the field offices did not systematically launch calls for proposals but instead contacted the cooperating partners operating in the area directly to implement the activities. The cooperating partners were part of the committees in charge of community and beneficiary selection and members of the communities, as described in Observation 4. This

²² Established in WFP's [Executive Director's Circular OED2018/004](#) and [Directive PD2023/001](#).



approach made operations susceptible to conflicts of interest at the field level and led to the inconsistent assessment of risks.

64. While the signature of the field-level agreement is a mandatory requirement before the start of activity implementation, out of an audited sample of five cooperating partners, two started working with the country office before the signature of the field-level agreement.

65. Further, the agreements reviewed were based on an outdated template that did not incorporate the most recent corporate requirements, such as updated language on WFP environmental and social standards, WFP environmental and social safeguards for programme activities, and references to special measures for protection from sexual exploitation and sexual abuse.

Implementation of programme activities and management oversight thereof

66. Corporate guidance for effective life-cycle partnership management requires country and field office roles and responsibilities to be clarified through standard operating procedures. At the time of the audit fieldwork, the country office had yet to finalize its standard operating procedures. This led to laxity in the accountability and ownership of mandatory processes for capacity strengthening of cooperating partners, and associated performance evaluations and management oversight activities such as spot-checks.

67. The country office relied on field offices for the oversight of cooperating partners, helping increase responsiveness to operational needs. Delegation to the sub-offices was not accompanied by increased visibility and validation at the country office level, for example in the form of spot-checks and regular review of processes, resulting in limited cooperating partner assessments and capacity-building activities.

Performance management of cooperating partners

68. Field offices performed partner performance evaluations independently, without obtaining inputs from country office staff as required by the corporate guidance.²³ The limited review of the cooperating partner selection and roles, paired with controls on performance evaluations inconsistently applied, exposed the country office to an increased risk that potential partner underperformance may not be identified and addressed in a timely manner.

69. Regarding invoices from cooperating partners, the country office did not follow corporate guidance requiring those invoices to be received directly at a central point in Finance. Invoices from cooperating partners based outside Tegucigalpa were received by Finance after they were reviewed by field offices and country office programme staff. The supporting documentation of the invoice was not communicated to the country office.

Reporting from cooperating partners

70. As indicated in Observation 9, the standard operating procedures for processing of cooperating partner reports in WFP's corporate systems were not updated nor consistently followed. As a result, there was no clear allocation of accountabilities along the process between field offices and the country office, and at the time of audit fieldwork, the country office was operating under interim arrangements for the collection and processing of information in WFP's corporate system.

Underlying cause(s): Legacy organizational structure with long outstanding vacancies in key functions; absence of standard operating procedures on cooperating partnership management and decentralized process without robust oversight mechanisms; unclear roles and responsibilities around the key aspects of cooperating partners management; non-compliance with corporate guidance on spot-checks and performance evaluations; limited collaboration with other United Nations agencies for the identification and assessment of cooperating partners.

²³ Established in WFP's [Executive Director's Circular OED2018/004](#).

**Agreed actions** [High priority]

The country office will:

- 1) Establish a process to conduct comprehensive partner capacity assessments and due diligence in compliance with relevant WFP corporate guidance on managing non-governmental organizations partnerships.
- 2) Develop a risk-based management oversight framework for cooperating partner activities, including (a) spot-checks; (b) criteria for the performance evaluation of cooperating partners; and (c) specific timelines and frequency of performance evaluations, as established in WFP corporate guidance.
- 3) Establish collaboration and exchange of information with other United Nations agencies on available cooperating partners to expand the roster and knowledge of the market and available capacity, supporting the process through the use of the United Nations Partner Portal.

Timeline for implementation

- 1) 30 June 2024
- 2) 30 September 2024
- 3) 30 June 2024

Supply chain

71. The supply chain unit comprises the procurement and logistics functions. The unit supports the implementation of school-based programmes, through the procurement and delivery of food to municipal warehouses across the country and participates in the regular reporting and liquidation processes. It also engages in capacity strengthening and service provision activities and supports the commodity voucher modality within cash-based transfers. The audit assessed supply chain key controls as described in Figure 2 (procurement) and **Error! Reference source not found.** (logistics).

Management oversight

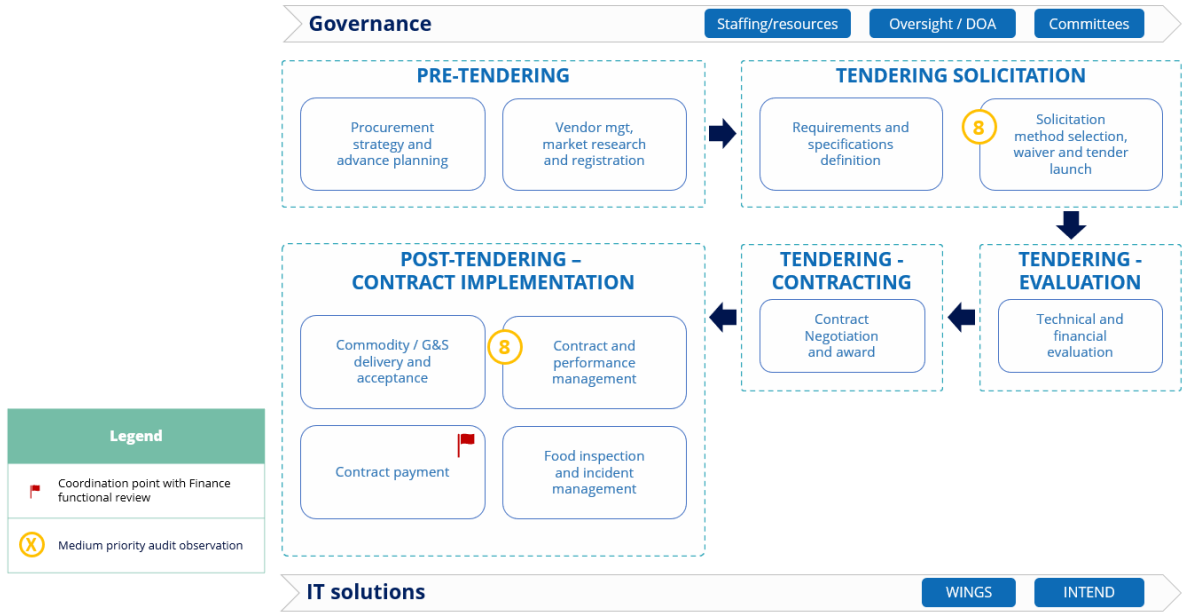
72. The regional bureau carried out an oversight mission of supply chain activities in November 2022. The report raised 16 recommendations, of which 5 were closed, 9 remained open, and 2 were pending reallocation to another unit. The audit partially relied on the management oversight mission in the following areas: the procurement planning process, market assessment, vendor identification, and logistics staffing arrangements. Observations raised by the management oversight report that were also noted by the audit include: (i) the last expression of interest exercise was done in 2017; (ii) the logistics services market assessment has not been done; and (iii) the performance of the transport and logistics service providers has not been evaluated.

Procurement

73. During the audit period, total food procurement amounted to USD 27.5 million, of which USD 26.8 million (97 percent) was locally procured. The total procurement of goods and services amounted to USD 1.7 million. The office has a centralized procurement set-up. It has established Food Supply Agreements to purchase rice, oil, and flour. Food is purchased locally following the agreement with the Government on the implementation of the national school feeding programme. The country office uses the corporate electronic tendering system to manage requests for proposals or quotations.



Figure 2: Simplified process diagram and related audit observations for procurement



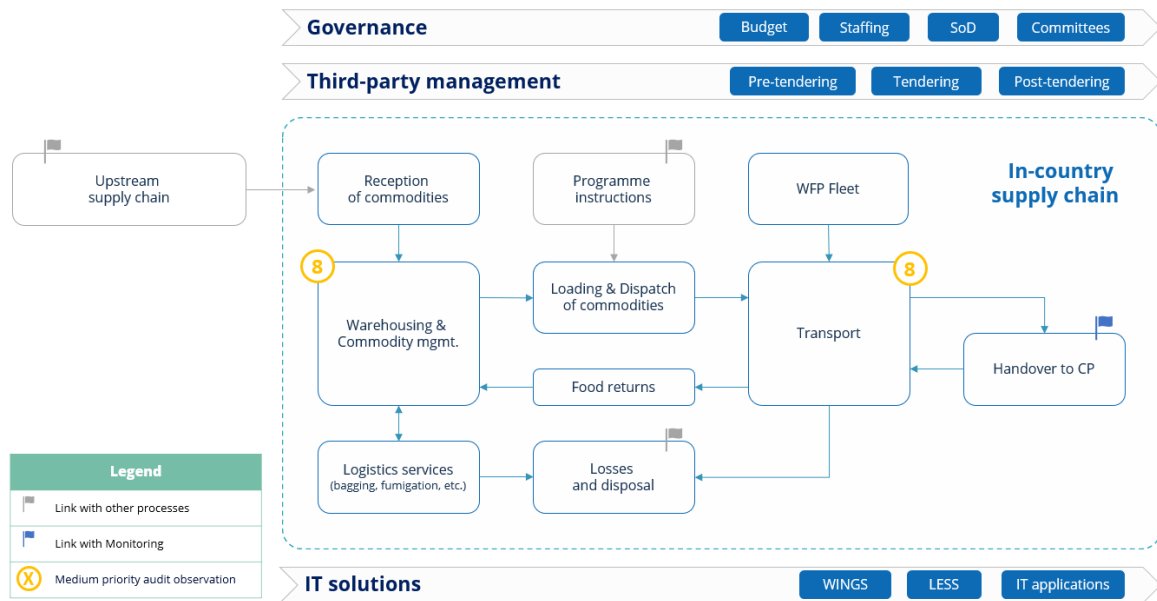
Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations, and yellow represents medium-priority observations).

Logistics

74. Logistics expenditures during the audit period totalled USD 1.8 million. The country office delivers commodities from its three warehouses to 360 municipal warehouses throughout the country, after which it is the responsibility of the Government at the municipality level to coordinate pickup by the schools from these distribution points.



Figure 3: Simplified process diagram and related audit observations for logistics



Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations, and yellow represents medium-priority observations).

Observation 8. Supply chain management

Warehouse management

75. The country office has three warehouses rented from the Government in Comayagua, Santa Rosa de Copán, and San Lorenzo, from which the food is delivered to the municipal warehouses. The visits of the San Lorenzo warehouse revealed that the necessary equipment to control temperature and humidity (such as a thermo-hygrometer²⁴) was not available and, therefore, it was not possible to determine whether the conditions were adequate to ensure the safety and quality of the food while in storage. High temperatures and/or humidity, which is often the case in Honduras, can negatively affect the quality of the food, potentially leading to food losses.

76. In addition, the warehouses in Honduras are not yet equipped with a phosphine meter to ensure fumigations are appropriately dosed, thus ensuring the pests are eliminated and operating conditions for the personnel entering the warehouse are safe.

Request for Quotation period

77. The country office procured approximately 4,700 metric tons of beans during the audit period, through regular request for quotation through WFP's electronic platform as established by corporate processes. These requests for quotation were open for only three to four business days, with the country office indicating windows as low as two business days for vendors to respond. These short timelines led to a low response rate from vendors in all the request for quotation reviewed. Short request for quotation timelines can elevate the risk of procurement fraud by limiting the time available for thorough vendor vetting and due diligence, potentially allowing unscrupulous suppliers to exploit the haste. Additionally, rushed request for quotation processes may discourage competitive participation and lead to inflated prices or favoritism in supplier selection.

²⁴ A thermo-hygrometer is an instrument that measures relative humidity and temperature.



78. Requests for quotation should be open for an appropriate period to ensure that all invited suppliers are given a fair opportunity to submit their quotes. The office explained that processes were open for a limited number of days because the funds were received from the Government with a delay and, therefore, the process should be expedited to avoid further delaying delivery.

79. As a mitigation measure, the office indicated that it followed up with vendors over the phone to remind them to submit their offers.

Vendor Performance Evaluation

80. Vendor performance evaluations were not systematically carried out.

81. The performance of the transport and logistics service providers had not been evaluated at the time of the audit fieldwork. This issue was raised in the 2022 regional bureau oversight mission. The office indicated that it was currently in the process of evaluating the performance of all transport and logistics service providers for the first semester of 2023 and completion was expected by August 2023.

82. Food supplier vendor evaluations were not consistently done within a reasonable timeframe upon the end of the contract,²⁵ to allow the timely identification of eventual performance issues.

83. The performance of one food vendor was assessed as satisfactory without consideration for quality issues that were found in the superintendent's quality and quantity inspection report of the food.

Underlying cause(s): Limited supervision at the Country Office level; factors beyond the control of WFP (timing of funding received from the Government); limited personnel and skills.

Agreed actions [Medium priority]

The country office will:

- 1) Perform a warehouse assessment to ensure that the food is stored at optimal conditions and that all the necessary equipment is in place.
- 2) Perform an analysis of the tenders and the non-response rate to determine the impact of the request for quotation timing on competition, and establish any additional mitigations required.
- 3) Implement supervisory controls to ensure that all vendors are evaluated in a timely manner, considering all aspects of vendor performance, including quality and quantity inspection reports.

Timeline for implementation

- 1) 30 June 2024
- 2) 30 June 2024
- 3) 30 September 2024

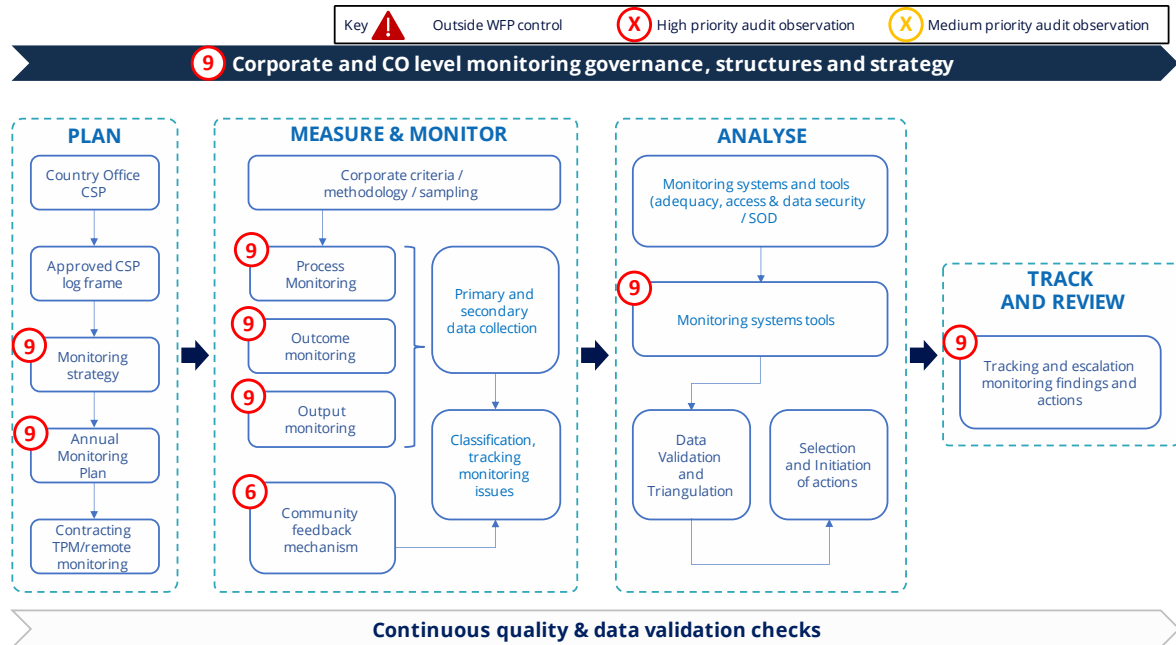
²⁵ For 8 out of 10 food purchase orders audited, the vendor evaluation was done late, between 6 and 14 weeks after the delivery period under review.



Monitoring

Observation 9. Monitoring strategy and processes

Figure 4: Simplified process diagram and related audit observations for monitoring.



Numbers in the diagram represent the related audit observations and their respective priority rating (yellow represents medium-priority observations).

84. There are weaknesses in the planning and implementation of monitoring activities, with inconsistencies noted in the definition of roles and responsibilities, the use of monitoring tools, methodologies, practices, reporting, and frequency of monitoring. Similar issues, and recommendations thereof, were raised in the January 2022 Honduras country strategic plan 2018-2021 evaluation.

Structure, roles and responsibilities

85. At the time of the audit fieldwork, the country office had not established a dedicated research, assessments and monitoring unit. The related functions were led by a staff member with a programme implementation role. The arrangement entailed an inherent conflict of interest. The position of the senior programme assistant – monitoring and evaluation has been vacant since October 2022, resulting in a reduced capacity to provide guidance and direction to the monitoring activities.

86. Due to limited resources, monitoring assistants at the field office level were involved in programmatic activities, including programme implementation roles. This adversely impacted the effective conduct of monitoring tasks and created inherent conflicts of interest. The monitoring assistants' reporting lines within their field offices and up to the country office level were not clearly defined or observed, resulting in ad-hoc monitoring arrangements and inconsistent practices across field offices.

87. At the time of the audit fieldwork, the country office had finalized an organizational realignment exercise that aimed to address the issues related to the office's organizational structure. The office has yet to establish the related implementation plan and change management strategy (refer to Observation 1).



Monitoring planning and coverage

88. Monitoring planning was not structured. There was no coordination between the country office and field offices to plan and carry out monitoring activities; plans at the sub-office level were not documented nor approved. Field monitors interviewed in two field offices indicated that their work was organized by geographical areas, covering various activities within each jurisdiction. These arrangements were not established in approved standard operating procedures or a monitoring strategy. Further, there was no systematic, consolidated tracking of monitoring activities to measure coverage and ensure compliance with minimum corporate requirements.

Monitoring data tools and validation

89. The arrangements to process activity implementation data in WFP's corporate system for programme design, implementation, monitoring and performance management²⁶ were not defined. Procedures to verify field level agreements, actual distribution, and beneficiaries assisted in the corporate system were not consistently applied. Field level staff followed diverging procedures to collect and process information from cooperating partners (through regular distribution reports); the arrangements for data clearance at the country office level were not followed consistently.

90. Given the nature of the agreements, the country office relies on Government-provided data for the school feeding activity, with limited opportunity for data triangulation. Output information is limited to the tonnage delivered, and there is limited outcome data gathering and analysis (refer also to Observation 2).

Lessons learned out of monitoring issues

91. Field office staff did not consistently prepare back-to-office or monitoring reports consolidating the issues noted in the monitoring of distributions and projects. There were no structured processes and tools to aggregate and analyze the data and to identify, escalate and follow up on trends, risks and issues to inform programmatic decisions and strengthen internal controls.

Underlying cause(s): Limited financial resources allocated to monitoring activities; legacy organizational structure of the programme and the research, analysis and monitoring units; extended vacancy of the monitoring and evaluation function, leading to unclear interim arrangements; siloed approach to activity implementation and project management, with a cascading effect over the definition of monitoring approaches and mechanisms.

Agreed actions [High priority]

The country office, with support from the Regional Bureau, will:

- 1) Establish a research, assessments and monitoring structure, clarifying the roles of country office and field staff, including adequate segregation of duties between activity implementation and monitoring and clear reporting lines to enhance information flows.
- 2) Develop and implement a monitoring strategy covering the monitoring needs of all the country's strategic plan activities, and the approaches, tools, reporting mechanisms to be implemented for each, and relevant resource allocation.
- 3) Develop and implement detailed standard operating procedures and guidance on monitoring covering key aspects such as: i) output monitoring, outcome monitoring, and process monitoring; ii) use of available systems and tools; iii) data analysis and reporting; iv) definition of responsibilities at programme implementation and monitoring levels.

Timeline for implementation

- 1) 30 June 2024
- 2) 30 September 2024
- 3) 31 December 2024

²⁶ Known as Country Office Monitoring and Evaluation Tool – COMET



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	Risk management and oversight	Governance and risk management	Country Office	Medium	30 June 2024 30 September 2024
2	School feeding operational model	Programme delivery	Country Office	Medium	30 June 2024
3	Resilience activities approach and project management	Programme delivery	Country Office	High	31 December 2024
4	Beneficiary information management for resilience activities	Programme delivery	Country Office	High	30 June 2024 31 December 2024 31 December 2024
5	Digitalization of processes to support resilience activities	Programme delivery	Country Office	High	30 September 2024 30 September 2024
6	Accountability to the affected population	Programme delivery	Country Office	High	30 September 2024 31 December 2024 31 December 2024
7	Selection, management and oversight of cooperating partners	Programme delivery	Country Office	High	30 June 2024 30 September 2024 30 June 2024
8	Supply chain management	Supply chain	Country Office	Medium	30 June 2024 30 June 2024 30 September 2024
9	Monitoring strategy and processes	Monitoring	Country Office	High	30 June 2024 30 September 2024 31 December 2024



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.²⁷

²⁷ 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 corporate system for the monitoring of the implementation of oversight recommendations. 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

PSEA	Protection from sexual exploitation and abuse
UN	United Nations
UNPP	United Nations Partner Portal
UNSDCF	United Nations Sustainable Development Cooperation Framework
USD	United States dollars
WFP	World Food Programme

Annex D – List of figures

Figure 1: Simplified process diagram and related audit observations for beneficiary management ...10

Figure 2: Simplified process diagram and related audit observations for procurement.....17

Figure 3: Simplified process diagram and related audit observations for logistics18

Figure 4: Simplified process diagram and related audit observations for monitoring.20