

SAVING
LIVES
CHANGING
LIVES

Internal Audit of WFP Operations in the Bolivarian Republic of Venezuela

Office of the Inspector General
Internal Audit Report AR/23/16



World Food
Programme

December 2023



Table of Contents

I.	Executive summary	3
II.	Country context and audit scope	6
III.	Results of the audit	8
	Audit work and conclusions	8
	Governance and risk management	8
	Observation 1. Risk appetite and risk management	8
	Programme delivery	10
	Observation 2. Beneficiary information management	10
	Observation 3. Community feedback mechanism	11
	Observation 4. Management of cooperating partners	12
	Supply chain	13
	Monitoring	14
	Observation 5. Monitoring limitations, strategy and processes	14
	Partnerships Management	15
	Annex A – Agreed action plan	16
	Annex B – Definitions of audit terms: ratings & priority	17
	Annex C – Acronyms	19



I. Executive summary

WFP Venezuela Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in the Bolivarian Republic of Venezuela (hereinafter referred to as Venezuela). The audit focused on governance and risk management, programme delivery, management of cooperating partners, supply chain – logistics, monitoring, and partnerships management. The audit covered the period from 1 January to 31 December 2022.
2. In Venezuela, WFP supports children in pre-primary schools, students with disabilities enrolled in special education schools, and school personnel through its school meals programme. The country office's Interim Country Strategic Plan 2023-2025 was approved in February 2023 with a budget of USD 574 million. Prior to that, WFP operated under a Transitional Interim Multi-Country Strategic Plan for Latin American countries impacted by the situation in Venezuela, with a total budget of USD 216 million.
3. The audit focused on the implementation of activity 3 under strategic outcome 1 of the Transitional Interim Multi-Country Strategic Plan: *'In food insecure areas, provide school meals for targeted children'*, which accounted for 91 percent of the total expenditure in 2022 (USD 48 million) and 95 percent of total beneficiaries assisted during the same year (519,000).
4. The regional bureau for Latin America and the Caribbean carried out an oversight and support mission in March 2023, covering the following areas: governance and control environment; programme; budgeting and allocation of funds; supply chain – logistics and procurement; human resources; finance; administration and information technology. The areas where the audit partially 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 **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.
6. The audit acknowledges that the country office is implementing its activities in accordance with the agreed framework of operations as outlined in the memorandum of understanding with the Government of Venezuela. Processes and internal controls were found to be generally effective with some opportunities for improvement and were robust in supply chain management. While the memorandum of understanding provides for implementing monitoring activities in line with WFP's rules and regulations, action was needed to bring monitoring of WFP's activities up to these standards. WFP areas of intervention were identified as those most in need based on a 2019 food security assessment, and the programmatic approach of blanket distributions reduces the risk of diversion of food assistance.

Risk management

7. WFP's activities in Venezuela faced operational limitations and exposures to third-party risks. While these conditions have not prevented WFP from implementing its activities in accordance with the memorandum of understanding with the Government, they limit WFP's ability to carry out updated food security assessments (detailed in paragraph 9) needed to provide the evidence base to better inform programme design and ensure monitoring activities' conformance with WFP standards (detailed in paragraph 14). WFP had not established a context-specific risk tolerance to allow an assessment of additional mitigations required or the need for further escalation.



8. In coordination with the Government, the country office needs to introduce changes to the beneficiary targeting and distribution monitoring processes to align the implementation of programme activities to the principles outlined in the 2021 memorandum of understanding establishing WFP operations in Venezuela.

Needs assessments and targeting

9. Geographical targeting was mainly based on the results of a food security assessment finalized in 2019, supplemented with other needs assessments conducted jointly by the humanitarian community in Venezuela. Blanket assistance was provided to all early childhood and special education schools within prioritized States. There was limited assurance that the current geographical coverage was aligned with the most updated food security situation for the country. WFP established coordination mechanisms with the Venezuelan Government at the national and local levels to ensure operational access, expansion, and coverage of activities. At the time of the audit mission in May 2023, WFP had yet to agree with the Government to undertake an updated food security assessment.

10. WFP continues to advocate for greater access and autonomy in conducting food security assessments to ascertain food assistance needs accurately and independently.

Beneficiary information management

11. The country office used a digital data collection tool to register beneficiaries and prepare distribution lists. Compared to similar school-based programmes implemented in other countries, where beneficiary lists and registers are paper-based, the process represented an advantage. It should be improved by implementing comprehensive procedures for deduplication, analyses, mitigations against potential manipulation of records, and performing a privacy impact assessment. Community feedback mechanisms required a renewed strategy, implemented in coordination with other United Nations entities participating in the inter-agency mechanisms, to ensure that beneficiaries are aware of their rights and to enhance the usage of available tools to collect and analyse beneficiary feedback.

Third-party due diligence

12. There were inherent risks associated with WFP's establishing its operations in Venezuela: WFP worked with newly identified local vendors and non-governmental organizations that needed to gain experience in humanitarian activities. Given the economic and operational context, establishing contracts with these suppliers and partners puts pressure on WFP's due diligence procedures to address potential reputational risks. The work of non-governmental organizations required additional oversight and a review of the contractual instruments needed in their various capacities.

Supply chain design

13. The country office maintained complete control of the supply chain up to the last mile: food was delivered directly from WFP's warehouses to the 1,978 schools participating in the programme, using WFP-contracted transporters. Food was received at the schools by cooperating partners, who then distributed it to the beneficiaries. The model entailed a detailed planning and execution process, often requiring manual processing of distribution plans. This supply chain setup was designed to mitigate potential risks of misuse or diversion of food.

Monitoring

14. Cooperating partners carried out food security outcome monitoring concurrently with food distributions and were limited to meeting beneficiaries at food distribution points only. These limitations hampered WFP's ability to inform better programmatic decisions. While delays in process monitoring coverage were observed at the time of the audit field visit in May 2023, the country office had improved its coverage as of the end of September 2023, achieving 63 percent of its annual plan. Areas of improvement were found in the monitoring setup, including its design to mitigate potential segregation of duties or operational risks.



Actions agreed

15. The audit report contains two 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.



II. Country context and audit scope

Venezuela

17. Venezuela's economy has historically depended on oil exports. As a result, there are challenges regarding dependence on imports of food, inputs for food production, fertilizers and materials for food processing and packaging. This represents a challenge for the country when external events affect the international food market conditions and access. Venezuela ranked 177 out of 180 countries in Transparency International's corruption perceptions index¹ and 120 out of 191 countries and territories in the Human Development Index for 2022.²

WFP operations in Venezuela

18. WFP and the Government of Venezuela signed a memorandum of understanding in April 2021 to implement a school-based programme, officially establishing WFP presence in the country. WFP's programme aimed to reach 1.5 million beneficiaries by August 2023. The memorandum of understanding considered the broader humanitarian architecture put in place in the country since 2019, including a Humanitarian Response Plan with Humanitarian Needs Overview.

19. The Humanitarian Response Plan 2022-2023 identified 5.2 million people in need, of which 2.9 million required assistance to meet their food security and nutrition needs. The food security and nutrition sectors represented 28.3 percent of the total funding requirements of the Humanitarian Response Plan (USD 225 million out of USD 795 million).³

20. In 2022, WFP operated under the Transitional Interim Multi-Country Strategic Plan for Latin American countries impacted by the situation in Venezuela (2020-2022). In February 2023, WFP's Executive Board approved the Venezuela Interim Country Strategic Plan 2023-2025 (ICSP) with a budget of USD 574 million. This ICSP focuses mainly on resilience building, allocating 85 percent of the total budget to three activities within this focus area. The main activity of the ICSP – i.e. the provision of school meals to children in early and special education and other school-age groups; pregnant and lactating women and school staff; and the delivery of take-home rations for students and their family members – represents 78 percent of the total budget. The country office initiated an organizational alignment exercise in 2023 to support the implementation of the ICSP.

21. The key counterparts of WFP were government entities: the Ministry of Foreign Affairs, the Ministry of Planning, and other sectoral ministries. WFP coordinated its activities with other United Nations entities, Venezuelan State institutions at the national and sub-national levels, social organizations and other non-governmental partners, the private sector, and international cooperation agencies.

22. WFP's activities were based on geographical targeting performed via the food security assessment carried out in 2019 and the lists of schools communicated by the Government. The country office undertook a verification exercise to confirm the existence and physical location of each of the 1,978 schools participating in the programme. No updated food security assessments have been carried out since 2019.

23. Since the launch of the school meals programme in 2021, WFP provided a comprehensive school package to improve food access and dietary diversity. As conditions in most school kitchens were deemed inadequate to prepare on-site meals, WFP provided take-home rations while progressively adapting its strategy to shift to a hybrid modality, combining onsite meals and take-home rations. WFP supported children in pre-primary schools, students with disabilities enrolled in special education schools, and school personnel. All beneficiaries received take-home food rations to cover their nutritional needs for 30 days. The programme also included the rehabilitation of school kitchen infrastructure and the provision of equipment for the preparation of school meals. Cash-based transfers were not allowed as a transfer modality in Venezuela.

¹ [2022 Corruption Perceptions Index](#)

² [2022 Human Development Index](#)

³ [Venezuela Humanitarian Response Plan 2022-2023](#).



24. In 2022, WFP scaled up its school meals programme to eight states in Venezuela, five more than the previous year. The number of beneficiaries increased from 47,815 in 2021 to 545,010 in 2022 (+1,040 percent). Hot meal assistance in schools began in April 2023, covering 100 schools in three municipalities in the State of Falcon. The country office planned to roll out the activity across other schools progressively.

25. WFP implemented the programme with cooperating partners that the country office selected for each state and staff from the targeted schools. WFP was responsible for upstream planning activities, including food procurement and transporting and delivering the food directly to the schools. The country office implemented a just-in-time model whereby commodities were delivered on the date of distribution, thus having complete control of food items up to the time of handover to beneficiaries. Cooperating partners were responsible for food distributions with the support of school staff. Beneficiary lists were printed from WFP's beneficiary database and signed by beneficiaries upon receipt of their entitlements.

26. The country office relied on its cooperating partners for food security outcome monitoring and its field monitors for process and output monitoring. Monitoring activities were carried out in the schools at the time of distribution to beneficiaries. There were restrictions on the timing when follow-up surveys could be carried out and the type of information that could be made publicly available.

Objective and scope of the audit

27. The objective of the audit was to provide assurance on the effectiveness of governance, risk management, and internal controls relating to WFP operations in Venezuela. Such audits contribute to the annual assurance statement to the Executive Director on governance, risk management and internal control.

28. The audit focused on one activity within the Transitional Interim Multi-Country Strategic Plan 2020-2022, under strategic outcome 1, representing 87 percent of the total cumulative expenditure:⁴

- *Activity 3 – In food-insecure areas, provide school meals for targeted children.*

29. 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 an oversight and support mission carried out in March 2023 by the Regional Bureau for Latin America and the Caribbean (hereinafter referred to as “the Regional Bureau”).

30. As a result, the six areas in scope for the audit included: (i) governance and risk management; (ii) programme delivery; (iii) management of cooperating partners; (iv) supply chain – logistics; (v) monitoring; and (vi) partnerships management.

31. The audit did not cover budgeting and allocation of funds; supply chain – procurement; finance and administration; and human resources management, due to the oversight work conducted by the Regional Bureau. The country office was implementing the related recommendations at the time of the audit fieldwork in May 2023.

32. The audit mission took place from 15 May to 1 June 2023 at the country office in Caracas. It included visits to the Barcelona field office, operations in the states of Anzoátegui and Sucre, and the logistics hub in El Consejo.

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

⁴ The total cumulative expenditure of activity 3 under strategic outcome 1 was USD 58.3 million, representing 87 percent of the total cumulative expenditure of USD 67 million.



III. Results of the audit

Audit work and conclusions

34. Five observations arose from the audit of the areas in scope. The observations are grouped into five areas: (i) governance and risk management; (ii) programme management, covering results in programme delivery and management of cooperating partners; (iii) supply chain – logistics; (iv) monitoring; and (v) partnerships management.

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

Governance and risk management

Observation 1. Risk appetite and risk management

Operational limitations and risk appetite

36. The operational context in Venezuela limited the WFP's ability to implement targeting and monitoring following standard processes. Targeting was done only at the geographical level based on the 2019 food security assessment results. Monitoring activities were performed simultaneously with food distributions as WFP could only meet beneficiaries at distribution sites (refer also to [Observation 5](#)). These limitations impacted WFP's ability to target assistance to the most vulnerable and the effectiveness of monitoring activities.

37. The country office communicated these impairments to donors and government partners. WFP operated within the evolving expectations of stakeholders concerning the nature and the progressive expansion of the activities implemented in the country. The WFP operations in Venezuela depended on one donor for 75 percent of its funding in 2022.

Third-party risk

38. The economic context resulted in further exposure to third-party risks. Being a new operation without a prior presence in Venezuela, the country office identified and engaged new local suppliers and non-governmental organizations to support the implementation of its activities, following standard corporate procedures. The audit highlights that the country office fulfilled corporately required due diligence steps and implemented additional ones in consultation with WFP's Legal Office and Vendor and Customer Data Management team. However, residual risks associated with third parties were deemed high, requiring additional steps.

39. Third-party risks were noted as follows:

- At least 51 vendors and non-governmental organizations (out of 122 with which the country office had businesses during 2022) requested WFP to pay their invoices abroad in a foreign currency (either to a related company or an individual). The country office agreed to the request and arranged to set up the payment process in consultation with WFP's headquarters. Corporate procedures foresaw similar scenarios but did not address potential reputational risks associated with this setup.
- Corporate due diligence procedures on vendors and non-governmental organizations, including vetting against UN and non-UN sanctions lists, were designed to be performed on entities with which WFP has direct business relationships but did not extend to related parties (refer also to Observation 4).⁵

⁵ A similar corporate observation was raised in the Internal Audit of Food Procurement in WFP ([Audit report AR/19/05](#), observation 7). The agreed action, aimed at strengthening the controls over payment to vendors based in countries subject to non-UN sanctions, was yet to be implemented by the responsible corporate function in May 2023.



40. The contextual risks associated with impairments to WFP's operations and exposure to third party risks were not explicitly monitored. Context-specific risk appetite or tolerance levels to assess mitigations or the need for further escalation to the next level of authority were not established.

Underlying cause(s): Recent operation established in 2021; operational arrangements and limitations not agreed upon in writing with the Government; corporate procedures on due diligence of partners and vendors, and payments abroad, not addressing specific third-party risks that might be present in the country.

Agreed Actions [High priority]

The country office will:

- 1) Develop a risk appetite statement tailored to the context of the operations and aligned with WFP's 2018 Enterprise Risk Management Policy, with support from the Regional Bureau and the Risk Management Division, and have it approved at the appropriate level.
- 2) Assess whether additional mitigation measures against specific third-party risks identified are required, and if so, proceed with implementation.

Timeline for implementation

- 1) 31 March 2024
- 2) 30 June 2024



Programme delivery

41. WFP contributed to addressing the needs of communities in Venezuela at risk of food insecurity and malnutrition in line with the Humanitarian Response Plan, the United Nations Sustainable Development Cooperation Framework, and the Memorandum of Understanding signed with the Government in April 2021.

42. The country office implemented its activities through local and international non-governmental organizations. Over the audit period, the country office entered into field-level agreements with 16 cooperating partners for a total value of USD 9.7 million.

43. The audit partially relied on the results of the March 2023 Regional Bureau oversight and support mission related to i) the roles and responsibilities of WFP regarding the inter-agency community feedback mechanisms and ii) the area of cooperating partners management; and focused on the beneficiary management process; protection against sexual exploitation and abuse activities; management of community feedback mechanisms; and the controls related to the due diligence processes, capacity building, reporting, and performance evaluation of cooperating partners.

Observation 2. Beneficiary information management

Management of beneficiary data and lists

44. Cooperating partners registered the beneficiaries in WFP's primary tool for data collection,⁶ using the paper-based beneficiary lists obtained from the school directors during the 2021-2022 school year. An updated registration was done in person during the distribution process in March 2023. WFP staff members from sub-offices accompanied cooperating partners in some of these exercises. However, they did not independently verify the data entered in the system and the lists before and after the distribution. Thus, potential fraud or data manipulation risks were not adequately mitigated.

45. The programme unit 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.

Distribution reports

46. The country office did not consistently track changes to the distribution plans. It also did not carry out an analysis of planned versus actual distributions at the school level. Each cooperating partner recorded the aggregated number of beneficiaries served and the metric tons distributed at the state level in the WFP corporate system for monitoring. This aggregated information prevented a detailed review of the distribution at the school level, analysis of the beneficiary lists signed, and the demographic composition of the beneficiaries.

Privacy impact assessment

47. The country office performed a limited scope privacy impact assessment⁷ in the context of a pilot to implement an automated transfer and information management platform, covering only the special education schools in the State of Monagas. The said platform was not yet fully implemented at the time of the audit fieldwork, and therefore, the existing setup in other States was not covered by the limited scope assessment.

Underlying cause(s): 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.

⁶ The tool is called MODA, a platform that allows data collection online and offline, in mobile or web formats.

⁷ An assessment aimed at identifying, evaluating and addressing the risks arising from the collection and utilization of personal data.



Agreed Actions [Medium priority]

The country office will:

- 1) Establish and implement standard operating procedures for: a) deduplication of beneficiaries registered in WFP's data collection system; and b) food distributions.
- 2) With the support from the Regional Bureau for Latin America and the Caribbean and Headquarters, assess the feasibility and establish: a) a digital food distribution and reconciliation solution using the information available in WFP's tool for data collection; and b) the collection of disaggregated output data at the school level in WFP's corporate system for monitoring, to facilitate tracking and reconciliations.
- 3) With the assistance of the Global Privacy Office and the Regional Bureau for Latin America and the Caribbean, leverage the limited scope assessment to conduct a privacy impact assessment to establish the processes and controls required to reduce privacy risks, covering the entire WFP operations in Venezuela.

Timeline for implementation

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

Observation 3. Community feedback mechanism

48. Beneficiaries interviewed by the audit team were unaware of the toll-free numbers activated since 2021 to gather community feedback and complaints. The country office used these phone numbers to support a nutrition awareness campaign.⁸ Although the country office indicated that monitoring results showed a higher level of awareness among beneficiaries regarding the availability of the phone line, the dual use of the toll-free number as an awareness and complaints mechanism was potentially causing confusion among beneficiaries.

49. The review of the community feedback mechanism logs between January 2022 and March 2023 did not highlight any reported cases related to potential sexual exploitation and abuse. All partners interviewed confirmed their awareness of protection against sexual exploitation and abuse. The country office did not retain evidence of partners' personnel participation in the related training.

50. Prior to August 2022, the country office manually tracked feedback and complaints through an off-the-shelf system. Subsequently, seven United Nations entities in Venezuela,⁹ including WFP, joined an inter-agency contact line to ensure coordination over the feedback and complaints collectively gathered. The country office kept track of community feedback through the pre-existing system and the inter-agency system simultaneously. The status of the requests in the two systems was not aligned and did not allow proper monitoring, documented follow-up, escalation and swift resolution of complaints. Further, this created a duplication of efforts and use of resources.

51. A report summarising the outcomes of the community feedback mechanism was circulated monthly internally within the country office. Communication of community feedback mechanism results could be improved by including key performance indicators such as the number of open and closed cases, cases under review during the month, and process lead times.

⁸ The "*plato saludable*" campaign aimed to identify challenges and opportunities related to schoolchildren feeding, and to identify any additional food items used by families to supplement WFP's food baskets.

⁹ Apart from WFP, the United Nations High Commissioner for Refugees, the Food and Agriculture Organization of the United Nations, the International Organization for Migration, the United Nations Population Fund, the United Nations Children's Fund, and the Joint United Nations Programme on HIV/AIDS participated of the inter-agency mechanism.



Underlying cause(s): Recent country office set-up; insufficient beneficiaries' sensitisation and cooperating partners' capacity strengthening; classification and categorization of calls and complaints in the interagency hotline not suitable for WFP analyses and needs; insufficient analysis of the potential functionalities and possibilities of the interagency system.

Agreed Actions [Medium priority]

The country office will:

- 1) In collaboration with the United Nations Country Team, implement a renewed beneficiary 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) Work with the United Nations Country Team to streamline the tools used to manage the feedback received through the hotline and optimize the use of the existing interagency tools, implementing a documented monitoring of the cases until their closure.

Timeline for implementation

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

Observation 4. Management of cooperating partners

Contracting, capacity building, and oversight of cooperating partners

52. The country office was established in April 2021 and, therefore, contracted cooperating partners with relatively limited or no experience implementing school-based activities. The cooperating partners were assessed based on self-declared information during the United Nations Partner Portal platform selection process.¹⁰ The country office used the information available in the portal, including partner assessments carried out by other United Nations entities. Some of those assessments were not adequately documented in the portal. For partners who do not work with other United Nations entities, their entry with the United Nations begins with the assessments carried out by WFP. The status in the portal was "invalidated" or "pending" for at least four cooperating partners with which the contract and operations were ongoing at the time of the audit fieldwork. The credential check, due diligence, and adverse media screening processes carried out by the country office were not sufficiently detailed nor documented, reducing the effectiveness of the due diligence process in detecting potential operational and reputational risks.

53. Cooperating partners were contracted through field-level agreements to perform monitoring activities and complete kitchen rehabilitation works, in addition to their regular role in food distributions. The country office did not assess whether the current contractual arrangements sufficiently addressed the requirements that cooperating partners should observe in performing their monitoring and kitchen rehabilitation roles. Issues related to monitoring, including segregation of duties, will be further elaborated in the [Monitoring](#) section.

54. Decisions on allocating geographical areas to the cooperating partners and follow-up were not addressed via partners' capacity and performance assessments. This resulted in the risk that partners might not have adequate capacity to implement the activities in their allocated areas.

¹⁰ The United Nations Partner Portal is an inter-agency platform for the United Nations system organizations and civil society organizations to engage on partnership opportunities; it also aims at, *inter alia*, reducing duplication of efforts by United Nations organizations in conducting due diligence of potential partners.



Oversight of cooperating partners

55. Management oversight and assurance plans over cooperating partners, including spot-checks to verify the implementation of programmatic activities reported to WFP, were neither risk-based nor systematic. The standard operating procedure for managing cooperating partners did not clearly define the prioritization and sampling criteria for spot-checks. There were multiple supply chain missions to oversee WFP and partners' warehouses during 2022 and 2023. The issues arising from these missions were discussed with partners but were not consolidated, analysed, prioritized, or escalated to improve follow-up and decision-making.

Underlying cause(s): Recent country office set-up, with no previously established knowledge of and relationships with cooperating partners; results of the capacity and performance assessment not informing cooperating partner selection; inadequate corporate guidelines on the due diligence process.

Agreed Actions [Medium priority]

The country office will:

- 1) With advice from the Legal Office and the Non-governmental Organizations partnerships unit, and other units in headquarters as required, assess the adequacy of the contractual instruments (field-level agreements) used to engage cooperating partners in the country in their various roles and capacities.
- 2) Reinforce capacity strengthening and performance evaluation of cooperating partners and establish a process to systematically follow up on the recommendations arising from capacity and performance assessments and management oversight missions to inform operational decisions.
- 3) With support from headquarters and in collaboration with the United Nations Country Team, establish tailored due diligence procedures for cooperating partners, document and review each due diligence assessment, and regularly review the cooperating partners' status on the United Nations Partner Portal.

Timeline for implementation

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

Supply chain

Logistics

56. Logistics expenditures in 2022 totalled USD 12 million, of which 80 percent was related to transactions carried out by the country office. The country office implemented a just-in-time model as a mitigation measure against the risks of food diversion or misuse, delivering commodities directly to the approximately 1,980 distribution points. At the time of audit fieldwork, work was underway to harmonize the decision-making process for storing and managing food balances at the end of distributions, which was not consistently implemented.

57. The 2023 Regional Bureau oversight mission reviewed the warehouse and commodity management processes, including food returns, losses, disposal, and the selection of transporters. It also highlighted a good practice of monitoring providers' delivery and performance.

58. The audit relied on the Regional Bureau oversight mission, reviewing the country office's process to monitor and implement the related actions, expand the transporters list, mitigate risks linked to vendor concentration, and manage the programme pipeline to allow for timely programme delivery.



59. The country office made progress in implementing the actions from the Regional Bureau oversight mission. Issues arising from audit work in this area were assessed as low priority and discussed directly with the country office. Therefore, there were no reportable findings in this area.

Monitoring

60. Cooperating partners played a dual role: they distributed the food kits to beneficiaries and carried out food security outcome monitoring.

61. The country office implemented mitigations to address the potential segregation of duties issue, such as a) requesting the cooperating partners to deploy two different teams (each to perform a different role), and b) involving its field monitors in the supervision of the partners' work, along with overall oversight from the country office.

62. The audit relied partially on the results of the March 2023 Regional Bureau oversight and support mission and considered three recommendations from that report when formulating the agreed actions included in this report.¹¹

Observation 5. Monitoring limitations, strategy and processes

63. The evolution and growth of the operations in Venezuela resulted in limitations to the country office's ability to plan and execute monitoring activities with the degree of independence needed in line with the implementation principles of the 2021 memorandum of understanding. These limitations included the country office's ability to conduct monitoring activities outside distribution points, perform household visits, or interview community members outside WFP programmes.

Outcome monitoring limitations

64. The country office compiled the food security outcome monitoring results in internal narrative management reports to measure WFP's programmatic performance. Restrictions on WFP's free access to beneficiaries and communities affected the quality of outcome monitoring and limited the accurate evidence-based identification of food insecurity and food assistance needs in the communities targeted by the programme.

65. As mentioned in Observation 1, cooperating partners performed food security outcome monitoring simultaneously with food distributions at schools. The arrangement was outlined in standard field-level agreements and involved collecting potentially sensitive information, as mentioned in paragraph 53 above.

Process monitoring

66. Last-minute changes to distribution plans (see also Observation 2) had a cascading effect on the country office's regular monitoring plans. As a result, the office's ability to visit every distribution site (school) at least once a year, as established corporately in the minimum monitoring requirements¹² and the country office's monitoring strategy, was affected. As of the end of May 2023, the country office monitoring planning tool reported 412 visits out of 1,978 schools, a coverage of approximately 21 percent of the annual coverage objective. Subsequent follow-up by the Office of Internal Audit indicated that coverage had improved, achieving 63 percent as of September 2023.

67. Resolution of monitoring observations and actions to inform programmatic decisions was made at the field office level. This process occurred in real time through informal but direct communication as issues arose and it was not systematically documented. As a result, there was no adequate audit trail of issue resolution.

¹¹ The three recommendations related to i) updating the monitoring strategy; ii) updating the calendar tool used for monitoring planning; and iii) the tracking tool of monitoring observations. These were due for implementation at the end of March 2023 but were not implemented at the time of the audit fieldwork in May 2023.

¹² WFP's corporate minimum monitoring requirements state that a different set of sites should be reached per each monitoring frequency so that after four quarters, 100% have been reached.



68. Regarding the aggregation of findings to identify and address common issues, the research, analysis, and monitoring unit issued annual learning reports that included consolidated observations from activity implementation and process monitoring. Yet the exercise did not explicitly link aggregated results to the actions required to mitigate the risks, with an indication of action owners and implementation timelines, limiting the effectiveness of monitoring activities and the timeliness of follow-up actions.

Underlying cause(s): Monitoring strategy and processes not reflecting the most updated operational setup, including the contextual restrictions; absence of standard operating procedures for food distribution, resulting in different procedures being followed at the field office level and requiring extensive coordination between the programme and the research, assessments, and monitoring units.

Agreed Actions [High priority]

The country office will:

- 1) Update the monitoring strategy to reflect the current operational setup, establishing adequate segregation of duties across roles and incorporating recommendations 2 and 3 below on the monitoring planning and reporting processes.
- 2) Adapt the monitoring planning process, in line with agreed actions in Observation 1 and Observation 2 on distribution planning, to ensure that the minimum required coverage of school visits is achieved.
- 3) Implement an enhanced tool and reporting mechanism to aggregate monitoring findings, allocate actions required and owners, and consolidate reporting thereon.

Timeline for implementation

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

Partnerships Management

69. The operational context during the audit period was challenging from a funding perspective. Due to the Ukraine conflict, the global food supply crisis shifted some major traditional donors' priorities and the International Financial Institutions were not present in the country. WFP Venezuela was exceptionally able to secure funding support from key crisis response partners to provide food assistance through a school-centred intervention.

70. For the new ICSP 2023-2025, the country office prepared a partnership action plan to strengthen government and existing donors' relationships, expand the donor base, and collaborate with UN partners.

71. The audit met with key donors and partners and assessed the country office's positioning and efforts to support the shift from crisis response to resilience building. Donors praised WFP's initial strategy and efficiency of operations. Issues noted concerning funding sustainability are reported in Observation 1.



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 appetite and management	Governance and risk management	Country Office	High	31 March 2024 30 June 2024
2	Beneficiary information management	Programme delivery	Country Office	Medium	30 June 2024 30 September 2024 30 September 2024
3	Community feedback mechanism	Programme delivery	Country Office	Medium	30 June 2024 30 June 2024
4	Management of cooperating partners	Programme delivery	Country Office	Medium	30 September 2024 30 June 2024 30 September 2024
5	Monitoring limitations, strategy and processes	Monitoring	Country Office	High	30 June 2024 30 June 2024 30 June 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.¹³

¹³ 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

ICSP	Interim Country Strategic Plan
RBP	Regional Bureau for Latin America and the Caribbean
UN	United Nations
USD	United States dollars
WFP	World Food Programme