Field Verification of WFP Operations in Colombia

Office of the Inspector General
Internal Audit Report AR/13/15

WFP

World Food Programme

wfp.org

Contents

Field Verification of WFP Operations in Colombia

I. Executive Summary

Introduction

1.   As part of its annual work plan for 2013, the Office of Internal Audit conducted a field verification[1] of WFP Operations in Colombia. In 2012, the World Food Programme's (WFP) Direct Expenses in the country totalled US$13 million[2], representing 0.3 percent of its total Direct Expenses for the year. The field verification covered activities from 1 March 2012 to 28 February 2013 and included a field visit to the Country Office and a review of corporate processes that impact across WFP.

2.   The field verification was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Field verification Conclusions

3.   Based on the results of the field verification, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory[3]**. Conclusions are summarized in Table 1 by internal control components:

Table 1: Summary of conclusions by Internal Control Components[4]

Internal Control Component	Conclusion	
1. Control activities	Medium	
2. Monitoring	Medium	

Key Results of the Field verification

Positive practices and initiatives

4.   A number of positive practices and initiatives were noted including positive feedback on WFP Country Office activities from the Government counterpart and effective practices in the management of trust funds.

Field verification recommendations

5.   No high-risk recommendations arose from the field verification. The field verification report contains 11 medium-risk recommendations.

Management response

6.   Management has agreed with all recommendations. Six of the recommendations have been

---

[1] A limited scope audit.
[2] WFP/EB.A/2013/4 – Annual Performance Report for 2012 – Annex IX-B.
[3] See Annex A for definitions of audit terms.
[4] See Annex A for definition of WFP's Internal Control Framework and Components.

implemented and work is in progress on the remaining five[5].

7.   The Office of Internal Audit would like to thank managers and staff for the assistance and cooperation accorded during the field verification.

David Johnson
Inspector General

---

[5] Implementation of the recommendations will be verified through the office of Internal Audit's (OIGA) standard system for monitoring of implementation of audit recommendations.

II. Context and Scope

The Republic of Colombia

8.   Colombia is the third most populous country in Latin America, with an estimated population of 46.6 million, of which 75 percent live in urban areas. Despite its status as a country with upper-middle income, Colombia has one of the highest levels of income inequality in Latin America and the Caribbean, ranking eighth in the world. In 2011, the national poverty rate was 34 percent (16 million people) and the extreme poverty rate was 11 percent (5 million people). Poverty rates are higher in specific regions and particularly among Afro-Colombian and indigenous groups, reaching up to 46 percent in rural areas.[6]

WFP Operations in Colombia

9.   WFP has been active in Colombia since 1968. Since inception, WFP activities in Colombia have shifted from a predominantly development focused approach to address emergency and protracted relief food needs. Further, WFP has contributed to a reduction in chronic under-nutrition and anaemia among IDP's and the vulnerable populations affected by violence not covered by government programmes. Additionally, WFP works with the Government of Colombia and regional entities to assist in the development of their food security and nutrition programmes. WFP's outreach in Colombia comprises a Country Office in Bogotá, four Sub-Offices in Monteria, Pasto, Quibdo and Neiva and four field offices in Buenaventura, Arauca, Villavicencio. The projects implemented during the period under review were:

- A protracted relief and rescue operation (200148): Integrated Approach to Address Food Insecurity among Highly Vulnerable Households Affected by Displacement and Violence, 1 January 2012 to 31 December 2013; project funding as of November 2013 was US$ 26 million with 590,000 beneficiaries;
- The Country Office worked on a number of Cooperation Agreements and Trust Funds. These had been entered into with the Government of Colombia and other Local Government Entities at the provincial level, under which the Country Office provided specific advisory activities, in line with the strategic priorities outlined in the Country Strategy Document.

10.   WFP's Direct Expenses in Colombia in 2012 totalled US 13 million[7], representing 0.3 percent of WFP's total Direct Expenses for the year.

Objective and scope of the field verification

11.   The objective of the field verification was to evaluate and test the adequacy and effectiveness of a selected number of the processes associated with internal control components of WFP's operations in Colombia, as part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes.

12.   The field verification was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. It was completed according to an approved planning memorandum and took into consideration a risk-assessment exercise carried out prior to the field verification.

---

[6] National Administrative Department of Statistics, Colombia.
[7] WFP/EB.A/2012/4* – Annual Performance Report for 2011 – Annex IX-B.

13.   The scope of the field verification covered WFP's operations in Colombia for the period 1 March 2012 to 28 February 2013. Where necessary, transactions and events pertaining to other periods were reviewed. The field verification, which took place from 18 to 27 March 2013, involved a visit to the Country Office in Bogotá.

WFP
wfp.org

III. Results of the field verification

14.   In performing our field verification, the Office of Internal Audit noted the following positive practices and initiatives:

Table 2: Positive practices and initiatives

1. Control activities

- The audit received very positive feedback from DPS (Government Partner to the PRRO and other Cooperation Agreements) on the relationship between the CO and the Government.
- Procedure for monitoring availability and expiry dates of Trust Funds (TF) and preparation of individual monthly financial statements, despite large number of TF managed under one single bank account.

---

15.   Having evaluated and tested the controls in place, the Office of Internal Audit has come to the following conclusions on the residual risk related to them – both in the Country Office and at the corporate level:

Table 3: Conclusions – categorization of risk by internal control component and business process

Internal Control Component/ Business Process	Risk (Country Office)	Risk (Corporate)
1. Control activities		
Programme management	Medium	-
Transport and logistics	Medium	-
Commodity management	Medium	-
Procurement	Medium	-
Human resources	Medium	Medium
Mobilize resources	Low	-
2. Monitoring		
Programme monitoring and evaluation	Medium	-

16.   Based on the results of the field verification, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**[8].

17.   No high-risk recommendations arose from the field verification. A total of 11 medium-risk recommendations were made.

Management response

18.   Management has agreed with all recommendations. Six of the recommendations have been implemented and work is in progress on the remaining five.

---

[8] See Annex A for definitions of audit terms.

Table 4: Summary of Medium-risk recommendations

	Observation	Recommendation	Risk categories[9]	Underlying cause category	Owner	Due date
Control Activities						
1	**Human resources:** HR contracting – Staff in the Country Office (92.6 percent) were on temporary contracts. Temporary contracts provided limited opportunity for career development and led to a high staff turnover. As per WFP guidelines, hiring staff under temporary contracts is improper use of contracting tools when there is a continuing need of services, which there was in this case.	In coordination with the Operations Management Department, analyze the current trends on usage of Service Contracts and Special Service Agreements across WFP field offices, particularly in middle-income countries, assess the significance of potential risks, and identify the contracting tools that Country Offices should use to recruit and retain local staff.	Strategic Securing resources Institutional	Guidelines	Human Resources Division	June 2014
2	**Programme management:** Limited achievements under PRRO 200148 - The project was not implemented according to the plan in that the assistance was not provided through the planned integrated approach of emergency and recovery activities, putting at risk its effect in the longer term.	Ensure proper staffing for the Programme Unit, take action to try and identify cooperating partners with adequate capacity, and consider capacity-building activities for available partners.	Operational Operational efficiency Programmatic	Guidance	Colombia Country Office	31 March 2014
3	**Programme management:** Limited achievements in the global initiative with a private donor - Agreements for school feeding were signed with a private donor without adequate planning for procedures and human resources to ensure achievement of the set objectives. Activities were not properly aligned, executed or documented in monitoring reports, placing the project objectives at risk.	Implement appropriate tracking and recording procedures to control in-kind contributions from the private donor, and monitor the implementation of complementary activities re-scheduled for 2013.	Operational Operational efficiency Programmatic	Guidance	Colombia Country Office	Implemented
4	**Transport and logistics:** Non-compliance in the sourcing of transporters - The Country Office did not fully comply with the corporate standards on sourcing transporters. The information collected from transporters was not sufficiently detailed to evaluate and determine shortlisted candidates based on the set criteria, and the information provided was not reviewed in sufficient detail.	Strengthen the sourcing process for transporters, align the set criteria to the sourcing process and continue building capacity by thoroughly evaluating transporters.	Compliance Internal business processes Institutional	Compliance	Colombia Country Office	Implemented

---

[9] See Annex A for definition of audit terms.

	Observation	Recommendation	Risk categories[9]	Underlying cause category	Owner	Due date
5	**Commodity management:** Inadequate controls prior to extension of expiring stocks - The expiry dates of selected commodities were extended without first sampling and testing to confirm the fitness of the products. Further, weight measurement and repackaging was inconsistent across warehouses centres.	Ensure that all products exceeding the best-before-date are sampled and tested for fitness before distribution, and that deliveries are correctly recorded in the waybills. Further, ensure that all weigh-bridges are calibrated for accuracy, maintain a record of trends in weight differences between warehouses and investigate any which are considered major.	Operational Stewardship Programmatic	Compliance	Colombia Country Office	Implemented
6	**Commodity management:** Late and inaccurate recording of commodity movements - Commodity movements were not recorded on a timely basis. Limited resources were allocated to the task.	Ensure correct, accurate and timely recording of data on commodity movement in the commodity tracking application (COMPAS).	Operational Operational efficiency Programmatic	Resources	Colombia Country Office	Implemented
7	**Procurement:** Non-compliance in sourcing, solicitation and evaluation of offers - The Country Office did not consistently comply with corporate procedures regarding sourcing, solicitation and evaluation of suppliers. For example, a consolidated review of existing suppliers was not performed, and advertising campaigns to attract new suppliers were not conducted. Further, the vendor roster could be updated more efficiently.	Strengthen the procurement process by developing procurement plans ahead of the procurement requirements of the various programme areas, improve the documentation of vendors' rosters and review the names of individuals who are party to contractual commitments against UN1267 lists.	Compliance Internal business processes Institutional	Compliance	Colombia Country Office	31 March 2014
8	**Human resources:** Need to perform and implement a Structure and Staffing Review (SSR) - The Country Office SSR was performed too late to ensure the efficient and effective implementation of the new Country Strategy. Several key positions in the Office had been vacant for a longer period than expected. Other positions were only filled after commencement of the current projects. The Country Office suffered a loss of institutional memory as a result of departing staff and new staff were not provided with a proper handover.	Prioritize the full staffing of the CO in line with the results of the Structure and Staffing review, and document the lessons learned from the Review to avoid a similar situation in the future.	Strategic Securing resources Institutional	Resources	Colombia Country Office	February 2014

	Observation	Recommendation	Risk categories[9]	Underlying cause category	Owner	Due date
9	**Human resources:** Limited resources in the HR Unit – The HR Unit, which itself was staffed with employees on temporary contracts, was overwhelmed by the continuing need to contract consultants and other temporary staff. There was insufficient time for developing a personnel strategy, staff training and career development, increasing the risk of further staff turnover.	Strengthen the HR Unit by providing sufficient staff resources, finalize the implementation of the Structure and Staffing Review to minimize short term contracting, and provide the holders of Service Contracts with opportunities for development and training while a long-term corporate solution is sought.	Operational Securing resources Institutional	Resources	Colombia Country Office	Implemented
10	**Human resources:** Non-compliance in the hiring of temporary staff - The CO hired several national consultants to implement strategic priorities. The terms of reference for the consultants did not include clear objectives and performance indicators and no performance assessments were prepared. Further, the field verification noted instances where contract holders were hired through a non-competitive process which did not comply with corporate guidelines and did not have documented justification.	Define clear lines of action under the strategic advice component of the Country Strategy. Based on this, define and limit the need for consultants, perform their selection on a competitive basis, and prepare their contracts with clear terms of reference and specific, measurable deliverables. Further, periodically monitor, evaluate and document the performance of consultants.	Compliance Securing resources Institutional	Compliance	Colombia Country Office	Implemented
Monitoring						
11	**Programme monitoring and evaluation:** Need for further improvements to the M&E system - The M&E database had not been updated to capture all relevant aspects of on-going projects. The database did not include performance indicators or data regarding the activities performed through Trust Funds and Cooperation Agreements which represented a significant portion of the Office's work.	Further develop the M&E data system to bring it in line with current operations and incorporate Trust Funds and Cooperation Agreements into the system to allow the proper measurement of achievements and outcomes.	Operational Operational efficiency Programmatic	Guidance	Colombia Country Office	June 2014

Annex A – Audit definitions

1. WFP's Internal Control Framework (ICF)

A 1. WFP's Internal Control Framework follows principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Integrated Internal Control Framework, adapted to meet WFP's operational environment and structure. The Framework was formally defined in 2011.

A 2. WFP has defined internal control as a process designed to provide reasonable assurance regarding the achievement of objectives relating to (a) effectiveness and efficiency of operations; (b) reliability of reporting; and (c) compliance with WFP rules and regulations. WFP recognizes five interrelated components (ICF components) of internal control, which need to be in place and integrated for it to be effective across the above three areas of internal control objectives. The five ICF components are (i) Internal Environment, (ii) Risk management, (iii) Control Activities, (iv) Information and Communication, and (v) Monitoring.

2. Risk categories

A 3. The Office of Internal Audit evaluates WFP's internal controls, governance and risk management processes, in order to reach an annual and overall assurance on these processes in the following categories:

Table A.1:

Categories of risk – based on COSO frameworks[10] and the Standards of the Institute of Internal Auditors

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

A 4. In order to facilitate linkages with WFP's performance and risk management frameworks, the Office of Internal Audit maps assurance to the following two frameworks:

Table A.2.1:
Categories of risk – WFP's Management Results Dimensions

1	Securing resources:	Efficiency and effectiveness in acquiring the resources necessary to discharge WFP's strategy – this includes money, food, non-food items, people and partners.
2	Stewardship:	Management of the resources acquired – this includes minimising resource losses, ensuring the safety and wellbeing of employees, facilities management, and the management of WFP's brand and reputation.
3	Learning and innovation:	Building a culture of learning and innovation to underpin WFP's other activities – this includes knowledge management, staff development and research capabilities.
4	Internal business processes:	Efficiency of provision and delivery of the support services necessary for the continuity of WFP's operations – this includes procurement, accounting, information sharing both internally and externally, IT support and travel management.
5	Operational efficiency:	Efficiency of WFP's beneficiary-facing programmes and projects delivery – this includes project design (partnership/stakeholder involvement and situation analysis) and project implementation (fund management, monitoring and reporting, transport delivery, distribution, pipeline management).

---

[10] Committee of Sponsoring Organizations of the Treadway Commission.

Table A.2.2: Categories of risk – WFP's Risk Management Framework

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

3. Causes or sources of audit observations

A 5.   The observations were broken down into categories based on causes or sources:

Table A.3: Categories of causes or sources

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

4. Risk categorization of audit observations

A 6.   The field verification observations were categorized by impact or importance (high, medium or low risk) as shown in Table A.4 below. Typically audit observations can be viewed on two levels. (1) Observations that are specific to an office, unit or division and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.[11]

Table A.4: Categorization of observations by impact or importance

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

A 7.   Low risk recommendations, if any, are communicated by the audit team directly to management, and are not included in this report.

---

[11] 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.

5. Recommendation tracking

A 8.   The Office of Internal Audit tracks all medium and high-risk recommendations. Implementation of recommendations will be verified through the Office of Internal Audit's system for the monitoring of the implementation of audit recommendations. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe so as to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

6. Rating system

A 9.   Internal control components and processes are rated according to the severity of their risk. These ratings are part of the system of evaluating the adequacy of WFP's risk management, control and governance processes. A rating of satisfactory, partially satisfactory and unsatisfactory is reported in each audit. These categories are defined as follows:

Table A.5: Rating system

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

Annex B – Acronyms

COMPAS	WFP's global commodity-tracking application
FT	Fixed-term
IA	Indefinite assignment
HR	Human Resources
M&E	Monitoring and Evaluation
PRRO	Protracted Relief and Recovery Operation
SC	Service Contract
SSA	Special Service Agreement
SSR	Structure and Staffing Review
UN	United Nations
UN1267	United Nations Security Council resolution 1267
WFP	World Food Programme