

# **Internal Audit of WFP Operations in the Republic of the Congo**

Office of the Inspector General  
Internal Audit Report AR/15/07



**World Food Programme**

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# Internal Audit of WFP Operations in the Republic of the Congo

## I. Executive Summary

### Introduction






1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in the Republic of the Congo (Congo). WFP's direct expenditures in the Congo totalled USD 10.2 million in 2013 and USD 7.9 million in 2014, representing 0.24 percent and 0.17 percent of WFP's total direct expenditures for the respective years. The audit focused on activities from 1 November 2013 to 31 October 2014. It included field visits to various locations in the Congo and a review of related corporate processes that impact across WFP.

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

### Audit conclusions

3. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **unsatisfactory**. Conclusions are summarized in Table 1 by internal control components:

**Table 1: Summary of conclusions by internal control components**

Internal control component		Conclusion	
1.	Internal environment	High	
2.	Risk management	Medium	
3.	Control activities	High	
4.	Information and communication	Low	
5.	Monitoring	Medium	

### Key results of the audit

#### Positive practices and initiatives

4. Management implemented the results of a staffing structure review, which was conducted in September 2014. It sought to improve its visibility with the host government and other donors by developing and screening films that promoted WFP activities. It developed communication tools in support of programme activities.

#### Audit observations

5. The audit report contains three high-risk observations and 11 medium-risk observations. The high-risk observations are:

**Internal oversight: Management oversight.** The audit identified weaknesses in the internal control environment of the country office (CO) that affected the majority of business units and processes. Weaknesses in oversight and in the supervisory role of the heads of units and heads of sub-offices (SOs) impacted a wide area of activities that fell under various processes. The

segregation of duties in governance and supervisory processes was inadequate. The number of undertaken and planned support and oversight missions by the CO to its SOs was insufficient. Fifteen recommendations by oversight missions in 2014 had not been implemented.

**Transport and logistics: Commodity management.** The audit identified shortcomings in oversight and supervisory controls over the management of commodities in the two warehouses it visited, resulting in inadequate segregation of duties and lack of regular reconciliation of commodity data. The audit noted missing quantities of commodities when it performed physical counts at one warehouse, and damaged commodities inadequately accounted for or disposed of. Lack of data, or inaccuracies, impacted on the completeness and integrity of the Commodity Movement Processing and Analysis System (COMPAS) data.

**Procurement management: Goods and services procurement.** The CO's system for procuring goods and services in line with WFP corporate rules was compromised by the absence of internal control features at various stages of the process.

## Actions agreed

6. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations. Two of the agreed actions have been implemented and work is in progress to implement the other 12.

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

**David Johnson**  
Inspector General

## II. Context and Scope

### The Congo

8. The Congo is a lower middle-income country, politically stable, with a GDP amounting to USD 14.9 billion in 2014. The Congo ranked 140th out of 187 countries in the 2014 UNDP Human Development Index, and 56th out of 76 countries in the 2014 Global Hunger Index. Sixty-four percent of the population live in urban areas, primarily Brazzaville and Pointe-Noire, where the population growth rate outpaces the national average of 3 percent. The rural exodus is associated with an increase in poverty and a widening of inequalities. The Congo imports 75 percent of its food needs, and only 4 percent of the agriculture outputs reach the market, with 53 percent being consumed by the producers themselves.

### WFP operations in the Congo

9. WFP was first present in the Congo in 1965. Operations were closed in 1995. The office was re-opened in 2000. In addition to the main CO in Brazzaville, WFP has five offices in other locations in the country, and as of October 2014 employed 50 staff including five international staff members. WFP's direct expenditures in the Congo totalled USD 10.2 million in 2013 and USD 7.9 million in 2014, representing 0.24 percent and 0.17 percent of WFP's total direct expenditures for the respective years.

10. During the period audited, WFP continued to implement the following projects:

- *Development Project (200144)* – "Support to Primary Education". With total costs of USD 19.5 million for the period of implementation (October 2011–December 2014) and total commitments and expenditures of USD 4.7 million for the audit period, this project was jointly implemented with the government and targeted 85,000 primary schoolchildren to receive hot meals during school days. The project aimed to boost school attendance, retention and completion of primary education while reducing micronutrient deficiencies. The project was closed on 31 December 2014, and the activities were transferred to the "Country Programme: The Congo 200648 (2015–2018)"
- *Protracted Relief and Recovery Operation (200147)*. With total costs of USD 53.5 million for the period of implementation (March 2011–June 2015) and total commitments and expenditures of USD 6.6 million for the audit period, the project provided assistance through general food distribution to refugees from the Central African Republic and the Democratic Republic of the Congo (DRC) in the Likouala province. During the four years from 2011 to 2014, the project benefitted 122,977, 83,081, 85,360 and 46,535 refugees, respectively. The project aimed to save lives among the most vulnerable (especially children and women) by ensuring basic food needs for the refugees until their return to their home countries; and to reduce pressure on the host population for food supplies, housing, health and sanitation. In January 2015, the 21,000 Central African Republic refugees were transferred to the new Regional Emergency Operation (200799) and the project is now providing assistance to the remaining 17,000 DRC refugees.
- *Development Project (200211)* – "Safety Net Programme". With total costs of USD 14.4 million for the period of implementation (July 2011–December 2014) and total commitments and expenditures of USD 2.6 million for the audit period, the project supported the government in managing an urban safety net programme in selected suburban areas of Brazzaville and Pointe-Noire targeting 72,000 beneficiaries. The main activities of the project were: building capacity of government staff, providing electronic vouchers to targeted households, and providing nutrition supplementation to individuals affected by HIV/AIDS/TB. The project ended on 31 December 2014, and the activities were transferred to the country programme for the Congo.

## Objective and scope of the audit

11. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of WFP's operations in the Congo. 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.

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

13. The scope of the audit covered WFP's operations in the Congo from 1 November 2013 to 31 October 2014. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work took place in Brazzaville and other locations in the Congo.

### III. Results of the Audit

14. In performing the audit, the following positive practices and initiatives were noted:

**Table 2: Positive practices and initiatives**

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#### **1. Internal Environment**

- Management took action to align the staff resources with the administrative and operational requirements of the office by implementing the results of the September 2014 staffing structure review.

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#### **2. Information and Communication**

- The CO sought to improve its visibility with the host government, who is the main contributor to WFP's development projects, by developing and screening films that promote WFP activities. These films were also screened during meetings with other donors. It developed communication tools in the form of fact sheets in support of the nutrition, safety net and school feeding activities.
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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 the processes:

**Table 3: Conclusions on risk, by internal control component and business process**

Internal control component/business process	Risk
<b>1. Internal environment</b>	
Strategic planning and performance	Medium
Organizational structure and delegated authority	Medium
Internal oversight	High
Ethics	Low
<b>2. Risk management</b>	
Enterprise risk management	Medium
Emergency preparedness and response	Medium
<b>3. Control activities</b>	
Finance and accounting	Medium
Programme management	Medium
Transport and logistics	High
Procurement	High
Human resources	Medium
Travel and administration	Medium
Partnership and coordination	Low
Security	Medium
Gender	Low
Property and equipment	Medium
Information and communication technology	Medium
Resource mobilization	Low
<b>4. Information and communication</b>	
External and internal communication	Low
<b>5. Monitoring</b>	
Programme monitoring and evaluation	Medium

16. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **unsatisfactory**.<sup>1</sup>

17. The audit report makes three high-risk observations, which are explained in detail in Section IV. Eleven medium-risk observations arose from the audit. Table 4 presents the high-risk observations, while Table 5 presents the medium-risk observations.

## Action agreed

18. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations. Two of the agreed actions have been implemented and work is in progress to implement the other 12.<sup>2</sup>

<sup>1</sup> See Annex A for definitions of audit terms.

<sup>2</sup> Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.



Table 4: Summary of high-risk observations (see Section IV for detailed assessment)

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Internal Environment</b>					
<p>1 <b>Internal oversight:</b> Management oversight – The audit identified weaknesses in oversight and in the supervisory role of the heads of units and heads of SOs that impacted a wide area of activities that fell under various processes.</p> <p>The terms of reference of local committees were not finalized. There was inadequate segregation of duties in the governance and supervisory processes of the Local Property Survey Board and the Local Project Review Committee, tendering and bid evaluation, the management of fuel, the management of warehouse commodities in Brazzaville and the Pointe Noire SO and the approval of petty cash in the Betou SO.</p> <p>The number of support and oversight missions to SOs was insufficient. Fifteen recommendations made by the finance and procurement oversight missions from the Johannesburg Regional Bureau (RBJ) in May and September 2014 had not been implemented.</p>	<p>The CO will:</p> <p>(a) Develop an effective plan for oversight activities, taking into consideration staffing and financial resources, finalize the terms of reference of local committees and develop tools in support of the oversight function such as checklists and tools for the follow-up of recommendations;</p> <p>(b) Take immediate action to establish segregation of duties in the areas highlighted by the audit; and</p> <p>(c) Assign a staff member to supervise the full implementation of the outstanding recommendations made by RBJ missions without further delay.</p>	<p>Compliance</p> <p>Processes and Systems</p> <p>Institutional</p>	Compliance	Congo CO	Implemented

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
2 <b>Transport and logistics:</b> Commodity management – The audit identified shortcomings in oversight and supervisory controls with regard to the management of commodities in the two warehouses it visited. This resulted in inadequate segregation of duties, lack of regular reconciliation of commodity data and improper management of spoiled commodities including non-compliance with the approval procedures for disposals. The audit noted missing quantities of commodities when it performed physical counts at one of the warehouses. A number of anomalies, including missing or inaccurate details of key data such as transporters' and consignees' names, data on commodity dispatches, receipts and losses, impacted on the completeness and integrity of COMPAS data.	The CO will: (a) Immediately look into the cases of disposals in the Pointe-Noire warehouse and take corrective action; (b) Implement segregation of duties in warehouse management; (c) Create a standard operating procedure for commodity management; (d) Raise the awareness of staff involved in data capture and input to COMPAS on the importance of completeness and accuracy of data, perform data reconciliation on a monthly basis and prepare a summary standard project report on a quarterly basis.	Compliance Processes and Systems Institutional	Compliance	Congo CO	30 June 2015
3 <b>Procurement:</b> Procurement of goods and services – The CO's system for procuring goods and services in line with WFP corporate rules was compromised by weaknesses in internal control such as the absence of terms of reference for nominated procurement committees; the absence of an effective vendor management committee; the lack of a procurement plan; the absence of a proper system for supply sourcing and registration of suppliers; the absence of an established segregated system for the receipt, safekeeping and evaluation of bids from potential suppliers and failure to systematically and properly evaluate the performance of suppliers.	The CO will take steps to strengthen the procurement process in all its key stages. Detailed agreed actions are provided in Section IV of this report.	Compliance Processes and Systems Institutional	Compliance	Congo CO	30 June 2015

Table 5: Medium-risk observations

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Risk Management</b>					
<p>4 <b>Enterprise risk management:</b> Emergency preparedness and response and business continuity plan – Many of the minimum preparedness actions which the CO marked as “completed” in its emergency preparedness and response template were not in place. The risks recorded in the template had not been updated since 2013 and were not in line with the current risks recorded in the CO risk register.</p> <p>The CO did not have a documented and tested business continuity plan that could be immediately put into action should its main premises, equipment or human resources suddenly become unavailable.</p>	<p>The CO will:</p> <p>(a) Immediately take steps to complete all minimum preparedness actions and to align the risks in the emergency preparedness and response template with those in the most recent risk register; and</p> <p>(b) Develop and implement a business continuity plan based on a business impact analysis.</p>	<p>Compliance</p> <p>Processes and Systems</p> <p>Programmatic</p>	Compliance	Congo CO	30 June 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
<p>5 <b>Finance and accounting:</b> Treasury management – The CO had bank overdraft amounts equivalent to USD 151,000, USD 198,700 and USD 72,800 on its imprest account during three different periods between October 2014 and January 2015.</p> <p>The following anomalies in the management of petty cash were observed: improper safekeeping, absence of monitoring on the petty cash ceiling, dormant account with the last transaction in May 2013, and account with all responsibilities and authorities in the hands of a single staff member.</p>	<p>The CO will:</p> <p>(a) Implement the corporate zero balance account to prevent the occurrence of bank overdrafts and improve the accuracy of its call forwards of funds by (i) improving the quality of expenditure forecasts to make them more accurate; and (ii) maintaining a record and an analysis of call forwards made over the preceding several months;</p> <p>(b) Improve its control over petty cash by: (i) using a cash box for petty cash, and a safe register where required; (ii) organizing training on petty cash management for all staff involved in the process; (iii) strengthening controls over replenishment requests from SOs; (iv) reviewing the ceiling of petty cash accounts in line with the financial resource management manual; and (v) reviewing the delegation of authority for all petty cash accounts managed by its SOs to ensure segregation of duties.</p>	<p>Compliance</p> <p>Accountability and Funding</p> <p>Institutional</p>	<p>Compliance</p>	<p>Congo CO</p>	<p>30 September 2015</p>

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
<p>6 <b>Finance and accounting:</b> Financial accounting and reporting – Controls to ensure the proper recording and monitoring of advances were lacking. This resulted in a number of long outstanding advances, incomplete and inaccurate data in the monthly minimum closure reports and subsequent inaccuracy in the dashboard data reported by WFP’s Finance and Treasury Division.</p> <p>In 2013, the CO signed an agreement with the <i>Institut National de la Statistique</i> (INS, national statistics office) for the conduct of a comprehensive food security and vulnerability analysis (CFSVA) from September 2013 to February 2014 for XAF 136.5 million (USD 275,673). Actual payment modalities and schedule were not in line with the agreement, and disbursements were made through operational advances in the name of the CO’s staff. At the time of the audit, the financial report on total disbursements, which exceeded the approved budget by XAF 20.5 million (USD 41,500), had not yet been prepared, the verification of the supporting documents to the actual expenditures had not been completed, and the advances had not yet been cleared from the CO receivable account since it was still waiting for the receipt of contributions from the government.</p>	<p>The CO will:</p> <p>(a) Strengthen the monitoring of advances and ensure the completeness and accuracy of data reported in the monthly minimum closure;</p> <p>(b) Ensure that future forecast expenditures are correctly prepared;</p> <p>(c) Ensure that the financial report on the CFSVA activities is prepared by the staff responsible of the programme activities and that the verification of supporting documents to the advances is performed as early as possible; and</p> <p>(d) Seek to obtain the contribution from the government for the CFSVA on a timely basis.</p>	<p>Compliance</p> <p>Accountability and Funding</p> <p>Institutional</p>	Compliance	Congo CO	30 June 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
<p>7 <b>Finance and accounting:</b> Payments to suppliers – The audit’s review of payment transactions in 2013 and 2014 noted significant delays in the settlement of suppliers’ invoices. The CO’s tracking system for invoices was not comprehensive enough to allow for the analysis of delays and the identification of bottlenecks.</p> <p>The circularization of suppliers balance in October 2014 was not performed effectively.</p>	<p>The CO will:</p> <p>(a) Improve the invoice tracking system to allow the monitoring of the ageing of invoices, regularly assess lead time of payments, and ensure that delays beyond the payment due date are reported to CO management; and</p> <p>(b) Follow-up on confirmation requests sent to suppliers.</p>	<p>Compliance</p> <p>Accountability and Funding</p> <p>Institutional</p>	Compliance	Congo CO	Implemented
<p>8 <b>Programme management:</b> Programme implementation – Weaknesses were noted in the distribution of food to refugees from the Democratic Republic of the Congo (DRC) under “Protracted Relief and Recovery Operation – The Republic of the Congo” (200147). There was no regular reconciliation between the beneficiary lists and the actual amounts distributed. The number of sites made it difficult for the Cooperating Partner (CP) to provide staff during all the distributions. A local project communication and coordination mechanism with stakeholders was not always in place and followed. Due to pipeline breaks, monthly food rations were frequently reduced without the beneficiaries being informed and CPs no longer shared distribution plans with the local authorities, raising security risks. During a visit to a distribution site, the audit noted that the distribution of food rations was not restricted to the bearers of ration cards. The audit observed food excesses after the distribution, and pressure exerted by the local people for these to be distributed.</p> <p>A field level agreement with a CP was signed with an eight-month delay. Payments were made to an individual who was acting as the CP’s programme coordinator since the CP was not yet registered and did not have a bank account.</p>	<p>The CO will take the following actions:</p> <p>(a) Liaise with the project stakeholders and implement a better system of coordination that includes local authorities;</p> <p>(b) Start retaining lists of beneficiaries to allow proper checks;</p> <p>(c) Obtain the beneficiary lists for 2014 from the CP, perform a reconciliation of the planned number of beneficiaries to the actual ones and ensure that any food returns resulting from the 2014 reconciliations and future ones are recorded in COMPAS;</p> <p>(d) Document the justification for monthly variances in the quantities of food rations distributed;</p> <p>(e) Obtain agreement from the CP to introduce biometrics, in the absence of which other risk mitigating measures will be introduced;</p> <p>(f) Immediately stop payments to individuals and ensure that all payments are made directly to the CP in question; and</p> <p>(g) Implement procedures to ensure that future field level agreements with CPs are signed before the starting date of the project.</p>	<p>Operational</p> <p>Programmes</p> <p>Programmatic</p>	Compliance	Congo CO	30 June 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
9 <b>Programme management:</b> Programme management for cash and voucher (C&V) modalities – The analysis of cost-effectiveness and efficiency of different transfer modalities (in-kind food, cash and/or vouchers) had not been completed by the CO. The risk assessments for the identification of risks specific to C&V were not conducted as per corporate guidelines. There were control gaps in the management of the credit risk, including omission of guarantee requirements or absence of C&V segregated bank accounts to ensure that WFP funds are safeguarded. The voucher reconciliation and verification processes needed to be strengthened to ensure the accuracy of voucher redemption invoices.	The CO will: (a) Take steps to ensure that the risk assessments required as per WFP directives are completed prior to the implementation or scale up of new transfer modalities; (b) Complete a cost efficiency analysis to provide a sound basis for programmatic decision making; (c) Consistently track and address quantified cost efficiency gains and losses of C&V modalities over in-kind distributions; (d) Review its banking arrangements to determine whether they are still appropriate to mitigate the credit risk; (e) Seek support from RBJ and headquarters to implement a proper system for managing and mitigating risks, including the request for performance bonds, and document the rationale for waiving guarantee requirements, approve and communicate this to RMFB; and (f) Review and improve the system for reconciling transfer services performed by the financial service providers with fund transfers managed by the CO finance unit.	Compliance Processes and Systems Programmatic	Compliance	Congo CO	30 September 2015
10 <b>Property and equipment:</b> Management of assets – A physical inventory, which should have been conducted before the roll-out of the corporate global equipment management system (GEMS) in October 2014, had not yet been completed in two locations. A number of items were not found in the locations as per GEMS. In its monthly minimum closure package, the CO regularly reported that reconciliation of fixed assets data between the financial module and the plant maintenance module of the corporate Enterprise Resource Planning system (WINGS) was performed. However, audit tests showed that this was not the case. The focal point for asset management had not received training in GEMS and this resulted in a backlog of work.	The CO will ensure that: (a) A physical count of the inventory for the two outstanding locations is conducted; (b) Asset reconciliation is performed and the results are reported in the MMC; and (c) The asset management focal point is immediately provided with the necessary GEMS training to start processing the backlog of transactions.	Compliance Processes and Systems Institutional	Compliance	Congo CO	30 June 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
11 <b>Travel and administration:</b> Administration of fuel – Proper segregation of duties and monitoring over the consumption and stocks of fuel was not in place. As a result, a significant amount of fuel went missing in one SO, only detected three months later.	The CO will take immediate steps to implement segregation of duties in the management of fuel and ensure regular monitoring of fuel consumption and stocks, and the submission of monthly reports to management.	Compliance Processes and Systems Institutional	Compliance	Congo CO	30 June 2015
12 <b>Security:</b> Minimum operating security standards – The oversight security mission performed by RBJ in June 2014 and the security assessment mission conducted by the WFP Field Security Division in October 2014 concluded that none of WFP Congo's offices were compliant with minimum operating security standards. The CO stated that it was not able to implement the recommendations due to lack of funding and was seeking funding assistance from RBJ.  The audit noted weaknesses in controls over access by visitors to the CO compound, and non-compliance with the UN road safety policy in the Likouala province due to the presence of government armed escorts in WFP vehicles.	The CO will: (a) Follow-up on its request for support from RBJ or seek alternative funding from the WFP Field Security Division to implement all the recommendations made by the security missions; (b) Strengthen access control to ensure all requirements set out in the WFP guidelines are met; and (c) Discuss possible alternatives to the presence of government armed escorts in UN vehicles with the United Nations Department of Safety and Security and other UN agencies represented in the Likouala province.	Compliance Processes and Systems Contextual	Compliance	Congo CO	30 September 2015
13 <b>Information and communication technology (ICT):</b> Storage of back-up media and IT continuity planning – Monthly back-up of the shared data server was kept at the residence of a staff member. There were no documented arrangements that covered the critical functions of the single person who was responsible for IT in the event of his absence. The CO did not have a properly documented and tested IT disaster recovery plan.	The CO will: (a) Document the procedures to be followed when the IT staff member is absent; (b) Implement backup procedures in compliance with the WFP IT operations manual; (c) Enter into an agreement with the WFP office in the Democratic Republic of the Congo for regular off-site storage of each other's back-up media; and (d) Draw up and test a comprehensive IT disaster recovery plan that will provide an effective means of restoring its core ICT systems and applications within a timeframe that ensures the minimum disruption to its operations. The plan will be incorporated within the CO's business continuity plan.	Compliance Processes and Systems Programmatic	Compliance	Congo CO	30 September 2015



Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date	
<b>Monitoring</b>						
14	<p><b>Programme monitoring and evaluation:</b> School feeding monitoring and evaluation – Under the agreement signed with the <i>Ministère de l'Enseignement Primaire, Secondaire et de l'Alphabétisation</i> (Ministry of Primary and Secondary Education and Literacy), WFP was to support the operations of the school feeding monitoring unit. Field data would be collected by the ministry and transmitted to WFP. For schools under the supervision of the WFP Brazzaville head office, only 23 percent of the expected monitoring reports for 2014 from 362 schools were received by end of January 2015. The CO did not maintain a tracking mechanism for outstanding reports or a system to track the follow-up of observations and recommendations from the field visits. Due to complex and lengthy reporting, the CO extrapolated on the data received from the ministry to compile its annual standard project report.</p>	<p>The CO will take the following actions to improve the monitoring and evaluation of its school feeding programme:</p> <ul style="list-style-type: none"> <li>(a) Implement a system and tools for collecting, compiling, recording, and reporting project data;</li> <li>(b) Implement a tracking system for recommendations arising from field visits;</li> <li>(c) Discuss with the relevant ministry the organization and their involvement in the data collection and field visits in cooperation with WFP field monitors; and</li> <li>(d) Align the established monitoring targets to the frequency and rate of monitoring visits to ensure that set targets are relevant to the context and capacity of the CO.</li> </ul>	<p>Reporting Programmes Programmatic</p>	Compliance	Congo CO	30 September 2015

## IV. Detailed Assessment

## Internal Environment

## High Risk

**Observation 1 Internal oversight: Management oversight**

19. The review of processes and subsequent audit tests highlighted weaknesses in the supervisory and oversight roles exercised by CO heads of units and heads of SOs that impacted key processes and activities in the Brazzaville head office and its SOs. These weaknesses impacted a wide area of activities that fell under the following processes: emergency preparedness and response, finance and accounting, programme implementation and monitoring, tendering and procurement, commodity management, administrative services, asset management and information and communication technology. Specific observations are set out in this report under their respective heading.

20. The terms of reference of the local committees were also not finalized. There was inadequate segregation of duties in the governance and supervisory processes concerning the Local Property Survey Board and the Local Project Review Committee; the solicitation for quotations, opening and evaluation of bids and proposals from potential suppliers; the management of fuel; the management of warehouse commodities in Brazzaville and in the Pointe Noire SO; and the approval of petty cash in the Betou SO.

21. The CO's annual performance plan for 2014 included a plan to reinforce its support and oversight missions to its sub-offices. The plan did not specify the number of missions. Six support and oversight missions were undertaken during the course of 2014 and the Country Director expressed concern that this was insufficient. The annual performance plan for 2015 was developed along the same lines as the 2014 one.

22. Fifteen recommendations made by the procurement and financial oversight missions from RBJ in May and September 2014 were still pending at the time of the audit.

<b>Underlying cause of observation:</b>	Competing priorities including filling gaps resulting from the Country Director position being vacant for eight months from May to December 2013 and preparation of the new country programme for the Congo. Cases of inadequate segregation of duties not being identified by the new CO management when it took office. Omission to prepare and include terms of reference in the nomination memorandum for local committees. Understaffing.
<b>Implication:</b>	Inadequate oversight and the absence of segregation of duties increase the risk of rules and regulations not being adhered to. Anomalies not being detected in a timely manner increases the risk of fraud and financial losses to the programme. The absence of terms of reference increases the risk of local committee members not being fully aware of their responsibilities and may result in a lack of accountability. The non-implementation of recommendations made by oversight missions meant that the risks from identified weaknesses in the CO's internal control framework remained unaddressed.
<b>Policies, procedures and requirements:</b>	Performance management framework. CO oversight role. Principle of segregation of duties. Financial resource management manual.
<b>Agreed action:</b> The CO will: (a) develop an effective plan for oversight activities, taking into consideration staffing and financial resources, finalize the terms of reference of local committees and develop tools in support of the oversight function such as checklists and tools for the follow-up of recommendations; (b) take immediate action to establish segregation of duties in the areas highlighted by the audit; (c) assign a staff member to supervise the full implementation of the outstanding recommendations made by RBJ missions without further delay.	
<b>Due Date:</b> Implemented.	

## Control Activity

## High Risk

**Observation 2                      Transport and logistics: Commodity management**

23. The audit identified shortcomings in the oversight and supervisory controls with regard to the management of commodities in two of the warehouses visited. This resulted in inadequate segregation of duties and lack of regular reconciliation of commodity data.

24. In the Brazzaville warehouse, 104 MT of spoiled commodities valued at USD 95,837 were classified as fit for animal consumption in November 2014. Of this amount, 47 MT valued at USD 45,000 were donated to farmers without the approval of CO management. In June 2014, 100 MT of rice out of the 104 MT referred to above were reported as damaged and due for reconditioning. However there was no evidence that the reconditioning took place before the amount was certified as spoiled in November 2014.

25. In the Pointe-Noire warehouse, data on the disposal through destruction of 21.15 MT of spoiled rice in March 2014 were missing in COMPAS, while there was no documentation supporting the disposal of 18.25 MT of spoiled rice and warehouse losses of 10.75 MT of rice that were recorded in COMPAS in March 2014 and from April to August 2013, respectively. The audit noted missing quantities of commodities when it performed physical counts at the warehouse.

26. The audit noted further anomalies, including missing or inaccurate details of key data such as transporters' and consignees' names, data on commodity dispatches, receipts and losses, which impacted on the completeness and integrity of COMPAS data. It was not clear how the CO finalized the 2013 standard project report for development project (200144) in view of the discrepancies noted between the data in COMPAS and the commodities reported as received by the schools during that year.

**Underlying cause of observation:**

Absence of oversight and supervisory controls. Inadequate segregation of duties. Lack of staff awareness on the importance of complete, accurate and current data. Lack of coordination in the recording of data in COMPAS. Lead time to transfer waybills between the location where the COMPAS station was based for the recording of data, and failure to perform regular reconciliation of COMPAS data.

**Implication:**

Failure to record and document complete and correct commodity management data weakens controls over the movement of commodities. Data errors and food losses may not be detected in a timely manner. Absence of regular data reconciliation may lead to an accumulation of discrepancies which could be difficult to clear, thereby delaying the year-end closure.

**Policies, procedures and requirements:**

Commodity management handbook. Directive OD2009/002 dated 22 December 2009. Transport Manual 3.11.3.1 – Commodity tracking and COMPAS. Principle of segregation of duties.

**Agreed action:** The CO will: (a) immediately look into the cases of disposals in the Pointe-Noire warehouse and take corrective action; (b) implement segregation of duties in warehouse management; (c) create a standard operating procedure for commodity management; (d) raise the awareness of staff involved in data capture and input to COMPAS on the importance of completeness and accuracy of data, perform data reconciliation on a monthly basis and prepare summary standard project reports on a quarterly basis.

**Due Date:** 30 June 2015.

**Control Activity****High Risk****Observation 3 Procurement management: Goods and services procurement**

The CO's system for procuring goods and services in line with WFP corporate rules was compromised by weaknesses in internal control such as the absence of terms of reference for nominated procurement committees; the absence of an effective vendor management committee; the absence of a procurement plan; the lack of a proper system for supply sourcing and registration of suppliers; the absence of an established segregated system for the receipt, safekeeping and evaluation of bids from potential suppliers; and the CO's failure to systematically and properly evaluate the performance of suppliers.

**Underlying cause of observation:** Lack of staff awareness on the requirements of managing the procurement process.

**Implication:** Non-compliance with the WFP procurement manual and related directives can lead to goods and services not being procured at the most advantageous price and terms, in a timely manner, and of the desired quality and standards. The highlighted weaknesses, including the absence of segregation of duties within the procurement process, increased the risk of partnerships being established with unqualified or sub-standard suppliers who may not deliver quality goods or services, and whose evaluation of performance may lead to disputes that are difficult to resolve and lead to subsequent reputation damage to WFP.

**Policies, procedures and requirements:** WFP non-food procurement manual and related directives.

**Agreed action:** The CO will take the following measures to strengthen its procurement process in all its key stages:

- (a) Procurement planning: implement a system for the timely planning of procurement of goods and services.
- (b) Supply sourcing and registration of suppliers: (i) implement a system to identify qualifying vendors against defined criteria; (ii) establish a vendor roster that will be updated on a regular basis; and (iii) ensure that the nominated vendor management committee performs a periodic review of the list of qualifying vendors.
- (c) Solicitation of bids from potential suppliers: (i) the funding source will be identified and approved prior to the procurement action; (ii) solicitation documents (request for quotations, invitation to bid and request for proposals) will be prepared on the basis of a purchase requisition and clearly defined specifications; (iii) all qualified suppliers will be invited to tender; (iv) the standard WFP e-mail tendering system (In-Tend) will be used for the receipt, safekeeping and opening of quotations, bids and proposals. In exceptional cases when In-Tend cannot be used, an alternative system for receiving, safekeeping and evaluating bids will be established and followed; and (v) supervisory controls will be introduced to ensure that procedures for preparing and recording contracts and purchase orders are consistently followed.
- (d) Evaluation of supplier performance: (i) an evaluation of the performance of the supplier will be prepared by the requesting officer for contracts above USD 5,000; (ii) a performance evaluation form will be forwarded to the procurement officer who will keep the submitted forms in the official procurement file; (iii) all performance evaluations rated as "unsatisfactory" will be referred to when new procurement actions are being evaluated; and (iv) supervisory controls are implemented to ensure that the above procedures are being correctly followed.

**Due Date:** 30 June 2015.

## Annex A – Definition of Audit Terms

### 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 recognises 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<sup>3</sup> and the Standards of the Institute of Internal Auditors**

1	Strategic:	Achievement of the organisation’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	People:	Effective staff learning and skill development – Engaged workforce supported by capable leaders promoting a culture of commitment, communication & accountability – Appropriately planned workforce – Effective talent acquisition and management.
2	Partnerships:	Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated.
3	Processes & Systems:	High quality programme design and timely approval – Cost efficient supply chain enable timely delivery of food assistance – Streamlined and effective business processes and systems – Conducive platforms for learning, sharing and innovation.
4	Programmes:	Appropriate and evidence based programme responses – Alignment with Government priorities and strengthened national capacities – Lessons learned and innovations mainstreamed – Effective communication of programme results and advocacy.
5	Accountability & Funding:	Predictable, timely and flexible resources obtained – Strategic transparent and efficient allocation of resources – Accountability frameworks utilised – Effective management of resources demonstrated.

<sup>3</sup> 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 through 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 categorisation of audit observations

A 6. The audit observations were categorised 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.<sup>4</sup>

**Table A.4: Categorisation 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 observations identified are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

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

### 5. Monitoring the implementation of agreed actions

A 8. The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions will be verified through the Office of Internal Audit’s system for the monitoring of the implementation of agreed actions. The purpose of this monitoring system is to ensure management

<sup>4</sup> 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.

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

C&V	Cash & Voucher
CFSVA	Comprehensive Food Security and Vulnerability Analysis
CO	Country Office
COMPAS	WFP's Commodity Movement, Processing and Analysis System
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Country Programme; Cooperating Partner
DRC	Democratic Republic of Congo
GEMS	WFP's Global Equipment Management System
ICT	Information and Communication Technology
In-Tend	WFP's corporate email tendering system
INS	Institut National de la Statistique
MMC	Minimum Monthly Closure
MPA	Minimum Preparedness Action
OIG	Office of the Inspector General
PasPort	System for the Payroll of Service Contract and Special Service Agreement holders in WFP Field Offices
PRRO	Protracted Relief and Recovery Operation
RBJ	Regional Bureau in Johannesburg
SO	Sub-Office
UNHCR	United Nations High Commissioner for Refugees
WFP	World Food Programme
WINGS	WFP's Information Network and Global System