

# **Internal Audit of WFP Operations in Zimbabwe**

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



**World Food Programme**

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# Internal Audit of WFP Operations in Zimbabwe

## I. Executive Summary

### Introduction






1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Zimbabwe, focusing on the period 1 January 2014 to 30 June 2015. WFP's total expenditure in Zimbabwe in 2014 totalled USD 53.2 million or 1.13 percent of WFP's total expenditures for the year. The audit team conducted the in-country field work, which included onsite visits to various locations in Zimbabwe and a review of related corporate processes that impact across WFP, from 14 September to 2 October 2015.

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

### Audit Conclusions

3. The Office of Internal Audit has come to an overall conclusion of **partially satisfactory**. Conclusions are summarised in Table 1 by internal control component:

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

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

### Key Results of the Audit

#### Positive practices and initiatives

4. The audit noted some positive practices, initiatives, and strengths. These included: the Country Office's (CO) technical capacity and strong working relations with the Government of Zimbabwe (GoZ), cooperating and UN agency partners; a commitment to consolidating and augmenting resiliency building activities while maintaining the ability to respond to humanitarian mobilization requirements; a good reputation and working relationship with donors; a willingness to advance corporate initiatives; alignment of direct support costs to sustainable levels; and the use of innovative technologies to capture and process monitoring data effectively and efficiently.



## Audit observations

5. The audit report contains one high risk observation and 11 medium-risk observations. The high-risk observation is as follows:

**Programme Management** – Beneficiary targeting, registration and verification: WFP’s corporate guidelines require that beneficiaries be targeted using a systematic needs evaluation process and that they be registered and verified using valid means of identification. The household verification activities designed to establish the validity of community self-targeting exercises were not carried out consistently and required strengthening. Moreover, there were programme design inconsistencies in the beneficiary registration and verification processes, impairing the CO’s ability to ascertain whether only registered beneficiaries participated in and received benefits from WFP’s programmes. In view of the fact that WFP’s programmes are complementary with the GoZ’s Harmonized Social Transfer Cash Transfer (HSCT) programme, opportunities for improved coordination and information sharing exist and could lead to potential synergies and efficiencies between the two programmes.

## Actions agreed

6. In discussion with the Office of Internal Audit, management has agreed to take measures to address the reported observations.

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

**David Johnson**  
Inspector General

## II. Context and Scope

### Zimbabwe

8. Zimbabwe is classified as a low-income food-deficit country, ranking 156th out of 187 countries on the 2014 Human Development Index and 46th of 78 on the 2013 Global Hunger Index. Up to 30 percent of the rural poor in Zimbabwe are considered to be 'food poor' or 'extremely poor'. Zimbabwe has faced a series of weather related disasters that have affected and continue to affect the food security of households and communities. Although Zimbabwe had made great strides on the path to becoming a middle-income country, the economic collapse in 2008 reversed much of the progress that had been achieved, eroding household wealth and assets. Since 2009, the country has experienced an economic turnaround thanks to several macro-economic initiatives, including the adoption of a multi-currency system and introduction of a greater degree of market liberalization; in addition, the percentage of food insecure households in Zimbabwe decreased from 25 percent in 2013-2014 to 6 percent in 2014-2015. However, notwithstanding such recent advances, the Zimbabwean economy remains fragile due to unsustainably high levels of debt and the effects of accelerated de-industrialization and growth of the informal economy.

### WFP Operations in Zimbabwe

9. WFP has had an operational presence in Zimbabwe since 2002 and is currently operating under the 2013-2015 Country Strategy, with a Protracted Relief and Recovery Operation (PRRO) that is 50 percent funded. In 2014, several factors and contextual changes, including changes in donor priorities and perceptions and the withdrawal of certain humanitarian actors, contributed to the CO experiencing a significant reduction in funding and a related decrease in activities and staffing levels to bring operations into line with available resources. During the same period, the CO was the subject of a Strategic Programme Review that resulted in the development of the Zimbabwe Country Strategic Plan (CSP), aimed at re-positioning WFP within Zimbabwe's humanitarian and development context.

10. CO operations during 2014 and 2015 included the following:

**PRRO 200453 Responding to Humanitarian Needs and Strengthening Resilience to Food Insecurity.** WFP's current activities in Zimbabwe operate within the framework of PRRO 200453, which targets a total of 2,728,300 beneficiaries from 1 May 2013 to 31 December 2015. The PRRO promotes a transition from emergency assistance to recovery while maintaining a capacity for emergency response and enhancing national safety-net systems. In line with the increased emphasis towards longer-term recovery and resilience, WFP's activities focus on integrating PRRO activities in fewer districts, primarily in the arid and semi-arid regions. The three main activities under the PRRO are:

- Disaster risk reduction and response: A Lean Season Assistance (LSA) programme provides food assistance for seasonally food-insecure vulnerable households in the November to March period. Refugee populations are also supported at the main Tongogara Refugee Camp. In addition, capacity development for national disaster response and risk management is supported.
- Health and nutrition promotion: In addition to Moderate Acute Malnutrition (MAM), HIV/AIDS and TB clients, WFP assists pregnant and lactating women (PLW) and children under five at clinics. A stunting prevention pilot programme is being implemented in one district where WFP is already implementing MAM treatment.
- Food assistance/cash for assets: In line with WFP's new strategic direction in Zimbabwe, these activities build resilience through the creation of productive assets (PAC). They empower vulnerable communities to move away from dependency on food assistance, promote self-reliance, reduce disaster risk and support climate change adaptation.



## 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 Zimbabwe. 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 *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. It was completed according to the approved engagement plan 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 Zimbabwe from 1 January 2014 to 30 June 2015. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work took place between 14 September and 2 October 2015 in Harare and other locations in Zimbabwe.

### 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**

- Technical capacity of staff and strong working relations with Government, cooperating and UN agency partners, resulting in WFP being able to coordinate activities effectively and produce data and analysis on food security.
- Commitment by the CO to consolidate and augment its resilience building activities while maintaining its capacity to respond to humanitarian mobilization requirements.
- Strong engagement by management resulting in solid reputation and effective working relationships with donors and partners.
- Willingness by the CO to pilot and take on recent and innovative corporate initiatives.

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#### **2. Control Activities**

- Alignment of costs and structures to sustainable levels.
- Adoption of a new resource mobilization strategy and development of a prioritized list of activities to facilitate decision-making based on alternative funding scenarios.
- Robust engagement in key governmental and interagency forums including the Food Security Working Group.
- Engagement with potential suppliers to provide them with information regarding WFP's procurement procedures and expand the potential supplier base.

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#### **3. Monitoring**

- Use of innovative technologies to capture and process monitoring data effectively and efficiently.
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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/<br>Business Process  | Risk   |
|--|--------|
| <b>1. Internal environment</b>                   |        |
| Strategic planning and performance               | Medium |
| Organizational structure and delegated authority | Medium |
| Internal oversight                               | Low    |
| Ethics   | Low    |
| <b>2. Risk management</b>                        |        |
| Enterprise risk management                       | Low    |
| Emergency preparedness and response              | Low    |
| <b>3. Control activities</b>                     |        |
| Finance and accounting                           | Medium |
| Programme management                             | High   |
| Transport and logistics                          | Medium |
| Procurement                                      | Low    |
| Human resources                                  | Low    |
| Travel and administration                        | Low    |
| Partnership and coordination                     | Medium |
| Security   | Low    |
| Gender   | Low    |
| Property and equipment                           | Medium |
| Information and Communications Technology (ICT)  | Low    |
| Resource management                              | Medium |
| <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 **partially satisfactory**<sup>1</sup>.

17. The audit made one high-risk observation, detailed in Section IV of this report, and 11 medium-risk observations. Tables 4 and 5 below present the high and medium risk observations, respectively.

## Action agreed

18. Management has agreed to take measures to address the reported observations and work is in progress to implement the agreed actions<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>Control Activities</b>   |   |                 |                           |                         |                   |
| <p>1 <b>Programme Management</b> – Beneficiary targeting, registration and verification: WFP’s corporate guidelines require that beneficiaries be targeted through a systematic needs evaluation process and registered and verified using valid means of identification. The household verification exercises designed to ascertain the validity of community self-targeting exercises were not carried out consistently and required strengthening. The audit identified programme design inconsistencies in the beneficiary registration and verification processes that impaired the CO’s ability to ascertain whether registered beneficiaries were participating in, and receiving benefits from, WFP’s programmes. In view of the fact that WFP’s programmes are complementary with the GoZ’s HSCT programme, opportunities for improved coordination and information sharing exist and could lead to potential synergies and efficiencies between the two programmes.</p> | <p>The CO will:</p> <p>(1) In collaboration with its Cooperating Partners (CPs), review and strengthen beneficiary registration and verification processes to ensure only registered household members are authorized to collect benefits. The CO will evaluate mechanisms to confirm the validity of the self-targeting exercise and take specific monitoring actions designed to ensure compliance with expected processes and controls.</p> <p>(2) Review and refine targeting criteria to include indicators that provide information on the receipt by beneficiaries of assistance from various sources, including the HSCT programme. Through the national Food Assistance Working Group, and whenever appropriate through the UN Resident Coordinator, the CO will identify appropriate coordination and information sharing mechanisms with UN, NGO and Government actors to mitigate the potential for assistance overlap.</p> | Operational     | Compliance                | Zimbabwe Country Office | (1) 31 March 2016 |
|   |   | Partnerships    |                           |                         | Institutional     |

Table 5: Medium risk observations

| Observation                 | Agreed action   | Risk categories   | Underlying cause category                              | Owner         | Due date                |  |
|-----------------------------|---|---|--|---------------|-------------------------|--|
| <b>Internal Environment</b> |   |   |  |               |                         |  |
| 2                           | <p><b>Organizational structure</b> – Structure, capacity and presence: The initial staff review exercise launched in 2014 proposed a structure that was leaner than before and considered the demands of shifting from relief to resilience activities. The structure as implemented, however, was further reduced, resulting in certain functions (including finance, administration and procurement) being amalgamated and others being significantly downsized, thereby limiting the ability of staff to assume multiple roles and leading to certain of the control weaknesses identified in this report. The audit also noted that certain functional areas [including programme communications, reporting and Vulnerability Assessment, Monitoring and Evaluation (VAME) unit] required strengthening to maintain WFP’s core capacities and strengths (including field presence), ensure sufficient support for the effective mobilization of resources and support the implementation of capacity development and augmentation activities.</p> | <p>The CO will:</p> <p>(1) Review and reassess the staffing structure and levels, in order to ensure that they are appropriate and consistent with the objectives of the CSP and forecasted contributions.</p> <p>(2) Develop a plan to augment staffing capacity in key areas in a gradual and prudent manner over the course of the next project cycle, leveraging the resources that may already be available at the RBJ and in HQ.</p>  | <p>Operational</p> <p>People</p> <p>Programmatic</p>   | Resources     | Zimbabwe Country Office | 30 June 2016                                     |
| <b>Control Activities</b>   |   |   |  |               |                         |  |
| 3                           | <p><b>Programme Management</b> - Due diligence for PAC projects: No mechanism was in place to ensure CPs were aware of the land tenure status of PAC projects, leading to inconsistent approaches being adopted to ensure that projects were not built on privately held land. Moreover, legal mechanisms to protect the assets from appropriation and to enable the continued access to these assets by the host communities were inconsistently applied and had not been reviewed by WFP. In addition, initial project assessments, including environmental, technical and feasibility studies were not consistently completed. Furthermore, mitigation measures designed to counter the potential detrimental environmental, health and safety effects of PAC projects were not systematically documented.</p>   | <p>The CO will:</p> <p>(1) Review the legal framework for PAC and, in consultation with relevant stakeholders, design appropriate due diligence and asset transfer mechanisms to protect community assets from appropriation and instruments to guarantee the continued access to project assets by the community.</p> <p>(2) Develop a joint partnership agenda with relevant stakeholders to streamline and ensure compliance with regulatory requirements and ensure due diligence in fulfilling corporate do-no-harm policies. The CO will develop processes to monitor and record the completion of assessments systematically, ensuring that a file is maintained for each project.</p> | <p>Strategic</p> <p>Programmes</p> <p>Programmatic</p> | Best practice | Zimbabwe Country Office | <p>(1) 30 June 2016</p> <p>(2) 31 March 2016</p> |

| Observation  | Agreed action   | Risk categories  | Underlying cause category | Owner                          | Due date                |
|--|---|--|---------------------------|--------------------------------|-------------------------|
| <p>4 <b>Programme Management</b> – Financial risk assessment: Corporate directives require that a financial strength assessment be carried out and that, if warranted, guarantees be obtained from the service providers and CPs that distribute cash on behalf of WFP. The audit noted that such assessments had yet to be completed and that the existence, validity and coverage of guarantees over WFP funds had not yet been confirmed by the CO and its CPs. The audit further noted that CPs did not comply with obligations regarding the use of dedicated bank accounts, thereby reducing WFP’s capacity to identify and monitor WFP related transactions. At the time of the audit, the CO was in the process of moving to new transfer mechanisms that may partially mitigate these issues.</p> | <p>The CO will finalize and operationalize mobile transfer modalities and phase-out cash in transit modalities at the earliest opportunity. In locations where mobile transfer modalities cannot be employed, the CO will perform a Harmonized Approach to Cash Transfer micro assessment of CPs, obtaining guarantees as appropriate, and contract cash distribution services where possible. The CO will ensure that CPs and service providers comply with corporate rules on the use of dedicated bank accounts for cash distribution transfers.</p> | <p>Compliance<br/>Processes &amp; Systems<br/>Institutional</p>    | <p>Compliance</p>         | <p>Zimbabwe Country Office</p> | <p>31 December 2015</p> |
| <p>5 <b>Finance and accounting management</b> – Advanced financing: CO use of the working capital financing (WCF) facility was not secured against future contributions as required by corporate rules. The audit team was informed that the financing had been advanced against future multilateral allocations to the RBJ, however, it was noted that these collaterals were not captured in WINGS. In addition, the audit noted that certain Immediate Response Account (IRA) facility advances relating to closed and current projects remained outstanding and had not been considered for conversion to grants and not been cancelled against the general fund at the time of the audit.</p>   | <p>The CO will, in coordination with the RBJ and RMB, develop a plan to repay outstanding WCF advances, identifying and recording collateral contributions at the earliest opportunity. The CO will follow up with RMB to ensure that old IRA outstanding obligations are cleared by year end.</p>  | <p>Reporting<br/>Accountability &amp; Funding<br/>Programmatic</p> | <p>Compliance</p>         | <p>Zimbabwe Country Office</p> | <p>31 December 2015</p> |

| Observation  | Agreed action   | Risk categories   | Underlying cause category | Owner                          | Due date                |
|--|---|---|---------------------------|--------------------------------|-------------------------|
| <p>6 <b>Transport and logistics</b> – Insurance coverage over third party goods: The CO provided warehouse services to other UN agencies in relation to food commodities and other non-food items (NFIs), including vehicles, IT equipment, etc.; related Service Level Agreements required that client agencies obtain (from their insurer) waivers of subrogation rights against WFP. The audit noted that the CO had not obtained copies of such documents, nor had it obtained appropriate third party liability insurance. The audit also noted that the warehouse proprietors’ insurance coverage for stocks in the care of WFP was insufficient and that the total value of WFP and client agency property in the warehouses had not been estimated or documented. The audit also noted that the warehouse facilities lacked smoke detectors, notwithstanding the fact that they housed combustible materials, increasing the likelihood of significant material losses in the event of a fire.</p> | <p>The CO will prepare and update a schedule of 3rd party NFIs contained in the WFP warehouses and consult with OSL on the implementation of adequate measures to mitigate the financial risk associated with potential losses of 3rd party assets. The CO will also ensure that smoke detectors are installed in the warehouses.</p>   | <p>Operational<br/>Partnerships<br/>Institutional</p>                 | <p>Best practices</p>     | <p>Zimbabwe Country Office</p> | <p>31 March 2016</p>    |
| <p>7 <b>Property Plant and Equipment</b> - Management and verification of assets and insurance over premises: The audit noted that the stock count had not included materially significant levels of items prior to the migration of data from the Asset Management Database (AMD) to the Global Equipment Management System (GEMS). In addition, a significant percentage of assets had not been tagged, physically verified after the migration or had not been updated in GEMS after their disposal. The audit also noted that staff trained in GEMS had left the organization soon after receiving training, and that the CO had not obtained insurance coverage for the assets contained in the Harare premises.</p>  | <p>The CO will conduct a physical verification of all assets and reconcile the results to GEMS, establishing the value of any assets that cannot be physically verified. The CO will determine which assets have been disposed of and, with assistance from RMM, ensure all disposals are reflected in GEMS. The CO will tag all assets in its possession to ensure traceability and will prioritize the provision of GEMS training and support to staff managing assets. The CO will quantify the assets held at the Harare premises and procure appropriate insurance coverage.</p> | <p>Operational<br/>Accountability &amp; Funding<br/>Institutional</p> | <p>Compliance</p>         | <p>Zimbabwe Country Office</p> | <p>29 February 2016</p> |

| Observation  | Agreed action   | Risk categories          | Underlying cause category | Owner                   | Due date             |
|--|---|--------------------------|---------------------------|-------------------------|----------------------|
| 8 <b>Resource management</b> – Resource mobilization strategy and advocacy: The CO did not adjust its cost structure and activities to sustainable levels in a timely manner to reflect the changing environment, thereby compromising the implementation of activities and internal controls. While a resource mobilisation strategy and related planning tools had recently been developed, the audit noted that certain of the recommended corporate elements that would have supported the response to the funding crisis were not yet in place. Moreover, while forecasts of funding opportunities were rigorously scrutinized, forecast information was not regularly updated, increasing the risk of incorrect funding outlooks. A more robust communication strategy was needed to engage, facilitate and promote WFP’s relief and resilience agenda with partners and donors on a timely basis. | The CO will:<br>(1) With the support of PGG and the RBJ, review and strengthen its resource mobilisation processes, (adopting relevant elements contained in the PGG fundraising guidelines) and ensure they are updated as appropriate. The CO will ensure forecast information is regularly updated through TeamWorks and other relevant channels.<br>(2) Continue to strengthen its advocacy efforts. In this regard, it will develop a plan and tools, including feedback mechanisms, for regular engagement with donors and partners to facilitate and promote the relief and resilience agendas with diverse audiences. | Strategic                | Guidance                  | Zimbabwe Country Office | (1) 31 March 2016    |
|  |   | Accountability & Funding |                           |                         | Contextual           |
| 9 <b>Resource management</b> - Pipeline and budget management: Procurement plans are an important element of resource planning and monitoring and the audit noted that while they had been prepared for 2014 and 2015, they had not been implemented by the CO. Moreover, while the CO used the corporate pipeline tool effectively to identify resource challenges and other constraints that could impact on the delivery of the project, a more structured and regular consultation and coordination approach was needed to enhance the efficiency, effectiveness and timeliness of the resource management processes.  | The CO will:<br>(1) Make greater use of its procurement plan to create a comprehensive view of programme and office running costs and link spending decisions to alternative funding scenarios in order to support purchase decisions and identify opportunities for cost efficiencies.<br>(2) Set-up a pipeline committee, involving all relevant unit heads, and establish terms of reference and processes to support regular, effective and efficient pipeline management.  | Reporting                | Guidance                  | Zimbabwe Country Office | (1) 31 December 2015 |
|  |   | Accountability & Funding |                           |                         | Programmatic         |

| Observation       | Agreed action   | Risk categories   | Underlying cause category                              | Owner                 | Due date                       |   |
|-------------------|---|---|--|-----------------------|--------------------------------|---|
| <b>Monitoring</b> |   |   |  |                       |                                |   |
| 10                | <p><b>Programme monitoring and evaluation</b> – Training activities and monitoring follow up: Training activities support safe work practices and increased utilization and sustainability of projects. Attendance to beneficiary training activities was not consistently tracked by CPs and verification of training attendance records was not part of the CO's regular monitoring processes. Moreover, the audit noted that observations and recommendations raised through the monitoring process were neither systematically recorded nor tracked for subsequent follow up and closure.</p>   | <p>The CO will:</p> <p>(1) Review its process monitoring tools and incorporate specific steps to ensure that training activities are carried out in accordance with field level agreements.</p> <p>(2) Log and classify all issues and recommendations in the monitoring reports and develop procedures and targets to support follow-up of recommended actions, leveraging follow-up related information to assess the performance of CPs and CO VAME staff.</p> | <p>Strategic</p> <p>Programmes</p> <p>Programmatic</p> | <p>Guidelines</p>     | <p>Zimbabwe Country Office</p> | <p>(1) 31 December 2015</p> <p>(2) 31 December 2015</p> |
| 11                | <p><b>Programme monitoring and evaluation</b> – Beneficiary complaint mechanisms: The design of the existing feedback and complaint mechanism, (the help-desk), did not guarantee that all beneficiary complaints were captured or reported to CPs and WFP, resulting in limited incident reporting. Furthermore, there were no direct communication channels for independent and immediate reporting of incidents to WFP by beneficiaries. The audit also noted inconsistencies in the processes to record complaints and follow-up actions. Effective beneficiary feedback mechanisms provide an important means of achieving protection objectives and detecting issues with programme design, delivery and performance.</p> | <p>The CO will review the current help desk arrangements and design effective and cost efficient beneficiary feedback mechanism to ensure issues can be easily reported to WFP. The CO will track and follow-up all issues reported and incorporate feedback data into its monitoring activities and reports.</p>   | <p>Strategic</p> <p>Programmes</p> <p>Programmatic</p> | <p>Best practices</p> | <p>Zimbabwe Country Office</p> | <p>31 December 2015</p>                                 |

| Observation  | Agreed action  | Risk categories | Underlying cause category | Owner                         | Due date          |
|--|--|-----------------|---------------------------|-------------------------------|-------------------|
| 12 <b>Programme monitoring and evaluation</b> –<br>Monitoring of PAC projects: The audit noted that PAC construction projects were not consistently monitored following completion. While some visits were conducted during the audit period, these were not part of the monitoring plans nor were the results consistently recorded. In addition, the audit noted gaps and inconsistencies in output and outcome data in the PAC asset register. While recognising that the CO conducted impact studies in 2014, the audit noted that a systematic monitoring process was needed to build a base of evidence on the utilization and sustainability of PAC projects. | The CO will:   | Strategic       | Resources                 | Zimbabwe<br>Country<br>Office | (1) 30 April 2016 |
|  | (1) Incorporate systematic and frequent monitoring activities of PAC assets into its monitoring matrix and plans, in order to ensure completeness in the gathering of baseline, planning and actual output and outcome data and strengthen and improve its PAC project asset register.                 | Programmes      | Programmatic              |                               | (2) 30 April 2016 |
|  | (2) Ensure that intervention periods and post-construction activities of PAC projects are appropriate and sufficient to ensure project utilization and that risk indicator data is gathered and will determine reasonable measures and mechanisms to track the PAC assets over their productive lives. |                 |                           |                               |                   |

## IV. Detailed assessment

## Control Activities

## High Risk

**Observation 1 Programme Management: Beneficiary targeting, registration and verification**

19. WFP's corporate guidelines require that beneficiaries be targeted using a systematic needs evaluation process and that they be registered and verified using valid means of identification.

20. The household verification exercises designed to ascertain the validity of community self-targeting exercises were not carried out consistently and required strengthening. The audit noted programme design inconsistencies in the beneficiary registration and verification processes, in particular in the way designated household individuals' information was being recorded and utilized. Such process weaknesses posed a risk to the CO's ability to ascertain whether registered beneficiaries were participating in, and receiving benefits from, WFP's programmes. In addition, the mechanism for approving and making changes to the master list of beneficiaries required significant process and monitoring improvements.

21. The CO was noted to intervene in areas that were also targeted by the national HSCT programme, which provides assistance to households considered 'food poor'. The CO estimated that a proportion of WFP's beneficiaries were also recipient of HSCT transfers. While we note that WFP's programmes were complementary to the HSTC, opportunities for improved coordination and information sharing could identify synergies and efficiency between the two programmes.

**Underlying cause of observation:** Inconsistent processes for beneficiary registration and verification. Lack of indicators during the targeting exercise to identify recipients of assistance from the HSCT or other programmes. Absence of coordination and data-sharing mechanisms with the HSCT programme to identify synergies and efficiency gains systematically.

**Implication:** Reduced ability to target resources to those households without any form of support, and to ascertain whether registered beneficiaries were actual programme participants and recipients of benefits.

**Policies, procedures and requirements:** Programme Guidance Manual, Cash and Voucher manual and best practices.

**Agreed action 1:** Review targeting criteria and develop coordination mechanism.

CO will review and refine its targeting criteria to include indicators that provide information regarding the receipt by beneficiaries of assistance from various sources, including HSCT programmes. Through the UN Resident Coordinator, the CO will identify the appropriate coordination and information sharing mechanisms with UN, NGO and Government actors,

**Due Date:** 31 March 2016.

**Agreed action 2:** Strengthen the registration and verification processes.

CO will, in collaboration with its CPs, review and strengthen beneficiary registration and verification processes and ensure only registered household members are authorized to collect benefits. The CO will evaluate mechanisms to confirm the validity of the self-targeting exercises and take specific process monitoring actions designed to ensure compliance with expected processes and controls.

**Due Date:** 31 March 2016.



## 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 them 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 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 | People:                   | Effective staff learning and skill development – Engaged workforce supported by capable leaders promoting a culture of commitment, communication and 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. Observations are 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. Audit observations are 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.<br>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.<br>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.<br>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 is 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 degree of related risk. These ratings are part of the system of evaluating the adequacy of WFP's risk management, control and governance processing. A rating of satisfactory, partially satisfactory or 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.<br>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.<br>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.<br>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

|       |   |
|-------|---|
| AMD   | Asset Management Database   |
| CO    | Country Office  |
| COSO  | Committee of Sponsoring Organizations of the Treadway Commission    |
| CP    | Cooperating Partner   |
| CSP   | Country Strategic Plan  |
| GEMS  | Global Equipment Management System                                  |
| GoZ   | Government of Zimbabwe  |
| HSCT  | Government of Zimbabwe’s Harmonized Social Cash Transfer programme. |
| ICT   | Information and Communications Technology                           |
| IRA   | Immediate Response Account  |
| MAM   | Moderately Acute Malnutrition                                       |
| NFI   | Non-food items  |
| PAC   | Productive Asset Creation   |
| PGG   | Government Partnerships Division                                    |
| PRRO  | Protracted Relief and Recovery Operation                            |
| RBJ   | Johannesburg Regional Bureau  |
| RMB   | Budget and Programming Division                                     |
| RMM   | Management Services Division  |
| VAME  | Vulnerability Assessment, Monitoring and Evaluation unit            |
| WCF   | Working Capital Financing   |
| WINGS | WFP Information Network and Global System (SAP)                     |