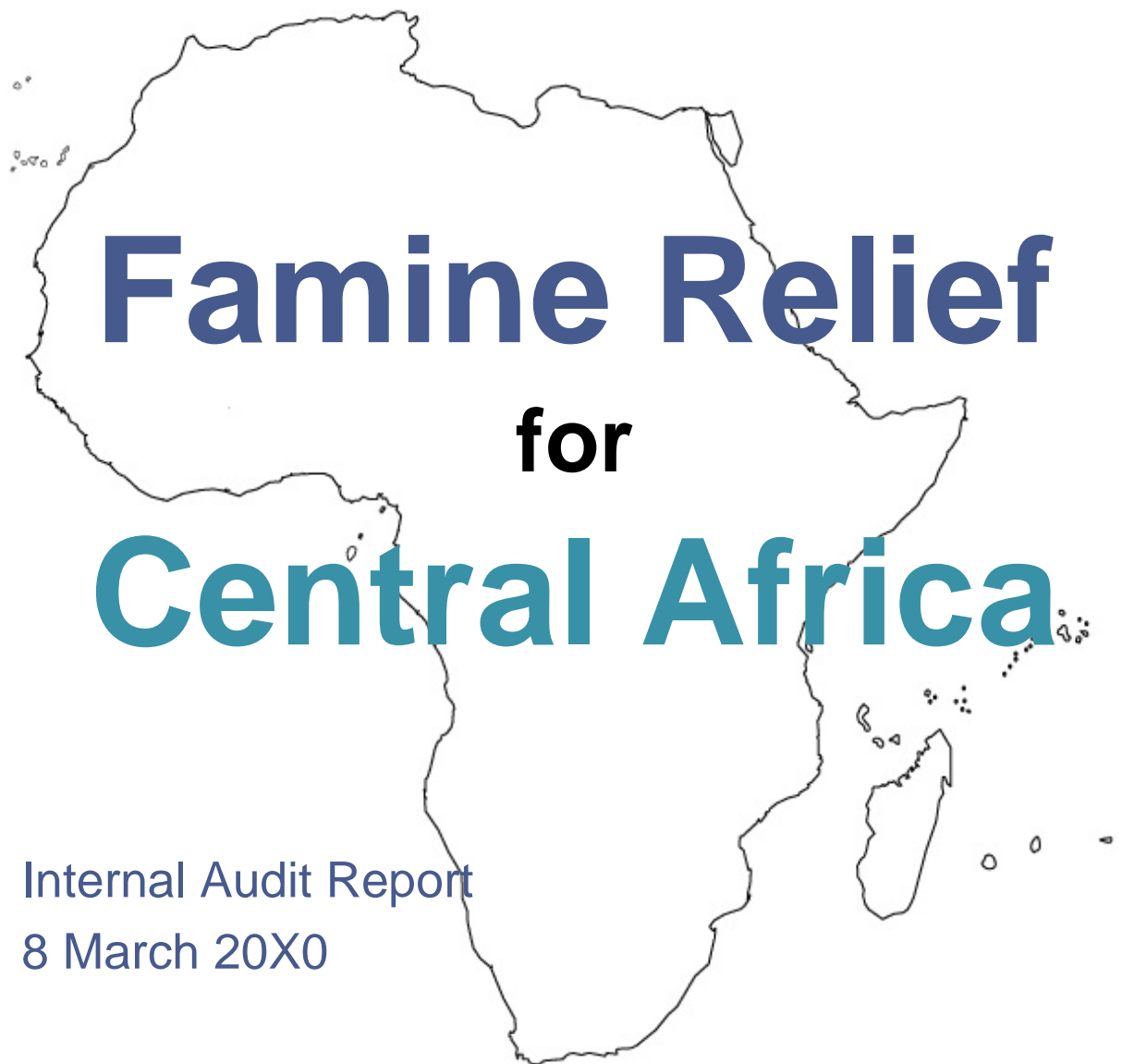


# Transport of food to famine relief camps



Internal Audit Report  
8 March 20X0

J Smith  
I Khan

# Internal Audit

Transport of food to famine relief camps

## Summary of Opinions

<b>Objective:</b> Establish a supply chain to ensure prompt delivery of food to the highest priority area	
Significance of the objective to the organization	<b>HIGH</b>
<b>Opinions:</b>	
Has management established a proper internal control framework? That is, has management: specified their objectives, identified the opportunities benefiting and risks threatening these objectives and established controls which should reduce the risks to acceptable levels?	<b>NO</b>
Are these controls sufficient and operating to bring the risks to below the risk appetite and ensure the achievement of the related objective?	<b>NO</b>
Is action being taken which will bring the risks to below the risk appetite and ensure the achievement of the objective?	<b>YES</b>
<b>Overall opinion: Is the objective being achieved?</b>	
	<b>NO</b>

# 1-Executive Summary

## Introduction

The Charity's risk analysis has identified significant risks to its operations from the processes involved in transporting food from the ports and warehouses in the Democratic Republic of Congo (DRC) to the famine relief camps. Since delivery of food is vital to the primary objectives of the charity, it is essential that this element of the supply chain operates properly.

This audit was therefore carried out to examine the controls mitigating the risks threatening the objectives below. The scope for the audit is attached to this report.

## Objectives of the processes

The processes examined are detailed in the attached scope and are those which deliver the following objectives:

- To arrange land transport for food to the relief camps.
- To maintain the lorries required to deliver the food.
- To obtain information about famine areas

## Deficiencies

The following major deficiencies were discovered during the course of the audit:

- Staff were unclear about the decisions they were required to make and how to evaluate which decision provided the best outcome.
- Opportunities to achieve, and risks which threaten, the above objectives were not identified.
- Lorries and drivers are not available at short notice to deliver food.
- Staff management procedures were not followed to establish job descriptions, targets and training.
- Full details of these, and other deficiencies, are included in the following sections.

## Conclusions

- Staff may make wrong decisions, or no decisions, when required, thus jeopardizing the Charity's fundamental objective.
- Risks affecting the supply chain have not been properly identified.
- Controls (including monitoring controls) are not sufficient and operating to reduce all risks to acceptable levels.
- Action is being taken by the Logistics Director to change the supply chain which, together with ensuring controls exist in the new processes, will reduce risks to acceptable levels.

Based on the above, our overall opinion is that the risks to the organization's objectives are not being managed to acceptable levels for the processes audited and that urgent action is required to ensure this essential operation does not jeopardize the charity's main objective of relieving famine.

The full list of risks, controls, tests and deficiencies is attached to the managers' copies of this report.

A follow-up audit of the actions noted in this report will be carried out in July 20X0.

## 2-Major deficiencies

*Opinion is NO*

### 1 – Staff are unaware of their objectives

#### Observation

Procedures for managing staff have not been followed. In particular:

- Staff do not have job descriptions and therefore clear objectives.
- Staff have not been trained.
- Staff have not been appraised.
- As a result staff are unclear on what decisions they have to make.

The lack of staff procedures indicates that management have not been monitoring their existence.

#### Implication

The need for this unit to make the right decisions at the right time is literally a matter of life and death. Failure to identify the need for famine relief and the best way to deliver it could result in starvation. While we appreciate that staff management is very difficult in the environment in which the charity operates, staff need to clearly understand their objectives and the decisions they must make to achieve them. They need to be trained on how to carry out their responsibilities and be appraised on their performance. Failure to do this could result in essential jobs not being completed, or not being carried out with the highest degree of competence. Staff morale will suffer and the Charity's operation in DR Congo will be run inefficiently, affecting both objectives.

#### Action being taken

- All staff in DROC will have job descriptions, objectives and targets by the end of March 20X0, written by the Country Manager.
- All staff will be appraised at the end of September 20X0 by the Country Manager.
- Training will be arranged by the Country Manager as part of the move to contract transport. This training will include how to identify options and choose those which provide the greatest benefits.
- The Country Director will monitor that all staff have job descriptions, targets and appraisals from April 1, 20X0.

### 2 – Risks have not been identified

#### Observation

Risks in the supply chain were not identified.

There was no monitoring to ensure an Objectives, Risks and Controls Register (ORCR) existed.

#### Implication

Risks cannot be controlled if they are not evaluated. Unforeseen risks could occur which could jeopardize the entire supply chain for DR Congo.

### **Action being taken**

Risk workshops have already been held to identify the opportunities and risks resulting from the move to using transport contractors. These opportunities and risks have been entered in the ORCR, which is being updated every two weeks in meetings between the Logistics Director, Country Director and Country Manager. The controls required have been identified and agreed with Internal Audit, and are being implemented as they are required.

Internal Audit has been charged, by the Audit Committee, to ensure the ORCR is kept up-to-date for all processes and that this is confirmed to them at each quarter's meeting.

### **3 – The full fleet of lorries is not available for the transport of food**

#### **Observation**

The charity operates eight lorries but one was badly damaged and two were not road-worthy. The audit found several problems which prevented the full fleet being available:

- There is a shortage of available drivers in DR Congo
- There is a lack of suitably trained mechanics
- Spare parts take months to arrive
- Fuel is stolen from the compound
- The lorries are old

#### **Implication**

These problems affect two objectives covered by this audit. If sufficient lorries are not road-worthy, and drivers not available to drive them, there is a significant risk that the charity will be unable to deliver food to the starving, and people may die. It is therefore vital that well maintained lorries are available, at all times, with drivers.

#### **Options**

Two options are available:

- Improve the existing processes by taking action to recruit, train and keep drivers and mechanics.
- Contract out delivery of food

Discussions with the Lorry Supervisor indicate the first option would be difficult and expensive. Both drivers and mechanics are not easily recruited and they would not solve the problems with the lorries and spares. He advises the second option and we agree with this. All other charities operating in the region use contractors and we can learn from their experience. The impact on staff would not be great; the Lorry Supervisor wishes to join his brother's business and the Administration Assistant will move to the main office. All other staff have left.

We were asked to consider the risks and controls required if contractors were used and have carried out a risk workshop and distributed the results.

### **Action being taken**

The Logistics and Country Director (DR Congo) will appoint a contractor by the end of March.

## 3-Deficiency

*Opinion is YES, WITH EXCEPTIONS*

### 4 - Instructions from HQ not used

#### Observation

There are no controls at HQ to ensure that instructions to distribute food are sent on time to the country office at Kinshasa.

#### Implication

The country may not be informed promptly about delivering food aid. In practice this is unlikely, since HO and the Country Office are in constant communication.

#### Action

The Country Director to immediately assume responsibility for formally notifying the country office

## 4-Supplementary issues

*Opinion is YES*

*These issues arise from residual risks which are within the risk appetite, as defined by the Trustees, and therefore do not affect the achievement of the key objectives. Action on these issues would improve control and efficiency.*

Observation	Implication	Action
5) HQ plans routes to famine relief areas but these are not used	This is an inefficient use of resources, costing approximately £5,000 p.a.	The local office to plan routes, with immediate effect

## Circulation

Name	Job title	Draft	Final
P Dawson	Finance Director	-	✓
F Higson	Logistics Director*	✓	✓
J Mulonja	Country Director (DR Congo)*	✓	✓
C Mwefu	Country Manager*	✓	✓
M Agbaw	Lorry Supervisor*	✓	✓

A copy of the audit database, showing the full processes, risks and controls audited, is being sent to the managers(\*) directly involved, with this report.

A summary of this report will be sent to the Audit Committee. The Audit Committee and external auditors have the opportunity to review the complete report.