

# **Internal Audit of Beneficiary Management**

Office of the Inspector General  
Internal Audit Report AR/17/17



**World Food Programme**

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# Internal Audit of Beneficiary Management

## I. Executive Summary

### Introduction and context

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of beneficiary management in WFP. The audit covered the period from 1 July 2016 to 30 June 2017 and looked at events prior and subsequent to this period as required. The audit team conducted the fieldwork from 21 August to 15 September 2017. This included work at WFP headquarters in Rome; specific audit visits to the Malawi, Myanmar and Sudan country offices; surveys and interviews with various country offices and regional bureaux; a review of beneficiary management policies, processes and information systems; and a review of related corporate processes that impact across WFP. This audit was conducted in parallel with an internal audit of WFP's SCOPE beneficiary information management system, and in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. WFP's beneficiary management processes are core components of the design and implementation of effective and efficient programme activities. For the purposes of this audit beneficiary management was defined as encompassing the processes of registration, verification, beneficiary information and identity management, and feedback mechanisms. These processes are aimed at obtaining, recording, managing and utilizing beneficiary data through the planning, execution, monitoring and reporting phases of the implementation of WFP programmes. Moreover, WFP is committed to implementing mechanisms of accountability to ensure that recipients of assistance are involved in the decisions that affect their lives, and to safeguard their safety when participating in WFP-related activities.

### Audit conclusions and key results

3. WFP has well-defined humanitarian and data protection and privacy policies. Country offices reviewed during the audit were found to have well-defined guidelines and practices of accountability to beneficiaries. Most had established systems for beneficiary complaints and feedback which were generally compliant with corporate standards.

4. Recognizing the importance of beneficiary information and identity management systems, WFP has developed and implemented the SCOPE system to strengthen related processes and controls. As at September 2017, WFP had registered more than 24 million beneficiaries in the SCOPE platform in a move towards standardization of beneficiary information and identity management processes.

5. However, the audit noted weaknesses or gaps in several key areas related to beneficiary management, which arise in part from the fact that WFP has not designated a function to coordinate and direct the development and implementation of relevant corporate objectives, strategies, and normative guidance frameworks. While the audit commends WFP's recent and existing policies and commitments in the area of beneficiary management as listed above, some are not fully guided and actionable in the field, and so remain aspirational.

6. Areas requiring strengthening and improvement include processes and controls relating to beneficiary verification, profiling and prioritisation, identity management, and data management. Although some country offices have, upon their own initiative, successfully implemented processes in these areas, without a corporate approach the organization may be missing significant






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opportunities to optimize its programmes and make the most effective use of donor resources in reaching the most vulnerable individuals.

7. The audit also observed a need to clarify and define the roles and responsibilities of partners, to ensure the effective implementation of policy commitments to the safety and data privacy of beneficiaries, and to strengthen beneficiary identity and information management processes by prioritizing and allocating sufficient resources to the roll-out of SCOPE and to the development and dissemination of related guidance.

8. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / major improvement needed**. Conclusions are summarized in Table 1 for each of the key process areas defined for the audit:

**Table 1: Summary of risks by process area**

Internal Control Component		Risk	
1.	Control environment	High	
2.	Risk assessment	Medium	
3.	Control activities	High	
4.	Information and communication	High	
5.	Monitoring activities	Medium	

9. The audit report contains five high-risk observations and five medium-risk observations. The high-risk observations are:

**Verification process controls** - The audit noted process control weaknesses in the management of beneficiary lists; distribution lists and attendance records were not consistently corroborated against the beneficiary master data following a systematic process. The audit also noted that further detective controls, including process verification, are needed to identify internal control weaknesses and red flags indicative of potential irregularities. Whilst WFP is increasingly implementing secure and reliable processes for capturing acknowledgment by beneficiaries of receipt of benefits, a large portion of activities continue to rely upon potentially unreliable paper-based distribution records.

**Verification, profiling and prioritization** - An absence of detailed corporate guidelines and objectives has allowed inconsistencies in the verification of beneficiaries. These include: reliance on cooperating partner’s methodologies for verifications; different thresholds to trigger complete verification exercises; inconsistent application of statistically-valid methodologies in the performance of verifications; different frequency intervals for verifications; and a lack of consensus on what constitutes verifications and whether these are required for certain types of activities. A risk appetite statement or acceptable rates of inclusion and exclusion error have not been determined to guide and inform management decisions. Inclusion and exclusion errors were not considered performance indicators, despite their potential to impact on programmatic efficiency and effectiveness.

**Identity management processes** - Robust processes and controls are required to ensure entitlements are transferred to the right individual for the right amount. The audit noted that while biometric systems and government-issued identifications have a high degree of reliability, some other mechanisms (for example, paper ration cards) pose significant risks to the ability of country offices to reliably identify the recipients of assistance. Identity management processes performed by cooperating partners were in most cases not properly assessed to ensure internal controls were appropriately designed, present and/or in line with WFP’s expectations, commitments and/or

requirements. Policies have been designed to protect the data and privacy of beneficiaries and comply with local requirements, but have not yet been effectively implemented.

**SCOPE project implementation** - WFP has adopted SCOPE as its digital platform to support the beneficiary information management process. Whilst more than 24 million beneficiaries have registered in the SCOPE database, only 6.8 million were being actively managed in the application at the time of the audit; in the majority of cases beneficiary data had remained dormant due to a variety of factors. A number of country offices reviewed had not yet adopted SCOPE due to pre-existing commitments to third-party systems, data hosting compliance requirements, and specific business requirements.

**Beneficiary data management** - WFP manages and uses large amounts of beneficiary data throughout the programme's lifecycle. Several issues with regard to beneficiary data were noted including: lack of clearly defined roles and responsibilities over the custody of beneficiary master data; insufficient digitalization of beneficiary records (severely limiting WFP's ability to use data for planning and control purposes); lack of consistent processes to remove duplicate beneficiary records; and risks to data due to inconsistent backs-ups and access controls by cooperating partners.

## Actions agreed

10. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates.

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

**Kiko Harvey**  
Inspector General

## II. Context and Scope

### Beneficiary management in WFP

12. Through its various projects and activities WFP serves a number of different kinds of beneficiaries including internally displaced people, refugees, school children and other food insecure populations. It follows various methodologies to collect, manage and use beneficiary data. Programmes are implemented in diverse settings and may involve working through non-governmental organizations, government partners and other UN agencies.

13. The variety of programme activities and targeted populations requires different risk management and internal control approaches. These ensure programme objectives are achieved efficiently and effectively, risks of beneficiary inclusion and exclusion errors are minimized, and fraudulent and corrupt practices are deterred, prevented and detected. Moreover, all of WFP's interventions must be designed with the safety of beneficiaries in mind.

14. Whilst there are a number of references to different aspects of beneficiary management in WFP's policies, manuals and guidelines, a holistic view of corporately mandated and suggested practices has not been developed. Responsibilities are shared among various units within WFP's Programme and Policy Division (OSZ), as well as other functions within the organization. Following WFP's decentralized management model, country offices (COs) have authority and discretion to interpret existing policies. They can also design and implement internal policies and procedures where corporate guidelines may be absent.

15. WFP is taking significant steps to improve beneficiary information and identity management through the introduction of SCOPE. This is a technology platform designed to capture and manage beneficiary data, report on beneficiaries and allow COs to plan distribution activities. SCOPE is intended to replace existing WFP and third-party legacy systems and databases. It standardizes processes and strengthens internal controls, including access to and management of beneficiary data, and implementation of strong identification processes. At the time of the audit, approximately 70 percent of beneficiary data was being managed in WFP and third-party legacy systems and databases.

16. In 2011, WFP endorsed, as part of the Inter Agency Standing Committee (IASC), commitments of accountability to affected populations (AAP), to strengthen its commitment to beneficiaries. WFP agreed to incorporate five key principles within the organization's policies and operational guidelines including leadership/governance, transparency, feedback and complaints, participation, and design monitoring and evaluation. WFP has progressively implemented these commitments through various policies including the Humanitarian Protection Policy (2012), Gender Policy (2015-2020), and adoption of the Core Humanitarian Standard for Quality and Accountability in 2015. In 2016, WFP introduced the AAP Manual to operationalize information provision, consultation and complaint and feedback mechanisms (CFMs).

### Objective and scope of the audit

17. The objective of the audit was to evaluate and test the adequacy and effectiveness of the internal controls, governance and risk management processes associated with beneficiary management in WFP. 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.

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

19. The scope of the audit covered management beneficiary processes from 1 July 2016 to 30 June 2017. Where necessary, policies, guidelines, processes, key reports and information systems and events pertaining to other periods were reviewed. The audit fieldwork included work at WFP headquarters in Rome; specific audit visits to the Malawi, Myanmar and Sudan COs; surveys and interviews with various COs and regional bureaux (RBx); a review of beneficiary management policies, processes and information systems; and a review of related corporate processes that impact across WFP.

### III. Results of the Audit

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

**Table 2: Positive practices and initiatives**

Control Environment	
<ul style="list-style-type: none"> <li>Executive management support for the adoption of SCOPE as WFP's beneficiary information and identity management platforms.</li> <li>Formulation of the AAP guidelines.</li> <li>Formulation of draft beneficiary information management guidelines.</li> </ul>	
Information and Communication	
<ul style="list-style-type: none"> <li>Deployment of SCOPE in 61 out of 85 COs and registration of more than 24 million beneficiaries in the platform.</li> <li>Creation of a Data Protection Officer position.</li> </ul>	

21. Having evaluated and tested the controls in place, the Office of Internal Audit has come to the following conclusions on the residual risks related to the processes examined:

**Table 3: Conclusions on risk, by Internal Control Component and Business Process**

Internal Control Components/Lines of enquiry	Risk
1. Control environment	
Roles, responsibilities, policies and guidance	High
2. Risk assessment	
Risk identification and management, including for fraud and/or corruption	Medium
3. Control activities	
Beneficiary registration controls, including for third parties	High
Gender and protection processes	Medium
Benefit instrument controls	High
4. Information and communication	
Coordination and linkage of beneficiary data	High
Data sharing	Medium
Data integrity, security, protection and privacy	High
Planning and outreach communication	Low
5. Monitoring activities	
Verification and validation processes	High
Beneficiary complaint and feedback mechanisms	Medium
Beneficiary management metrics	Medium



22. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of *partially satisfactory / major improvement needed*<sup>1</sup>.

23. The audit made five high-risk and five medium-risk observations. Tables 4 and 5 below present the high and medium-risk observations respectively.

**Action agreed**

24. Management has agreed to take measures to address the reported observations.<sup>2</sup>

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<sup>1</sup> See Annex C 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: High-risk observations**

Observation	Agreed action
<p>1 <b>Control Activities</b> – Verification process controls</p> <p>The audit noted process control weaknesses in the management of beneficiary lists as follows:</p> <p><i>Process verification</i> – Distribution lists and attendance records (“distribution records”) were not consistently corroborated against the beneficiary master data following a systematic process. Cooperating partners (CPs) were not always required by the Field Level Agreement (FLA) to submit copies of distribution records for corroboration by WFP. The audit noted that detective controls, including process verification, are needed to identify internal control weaknesses and red flags indicative of potential irregularities.</p> <p><i>Distribution records</i> – For distribution processes, the beneficiary’s acknowledgement is the basis for payment for services rendered or reimbursement for benefits disbursed by CPs and service providers. Whilst WFP is increasingly implementing secure and reliable processes for capturing acknowledgment of receipts (for example, biometric technology, PIN codes and electronic cards) a large portion of activities continue to rely upon paper-based distribution records, for which the audit noted indicators of risk that warranted follow-up by field monitors, including:</p> <ul style="list-style-type: none"> <li>• Incomplete and inconsistent distribution records;</li> <li>• Hand-written distribution lists;</li> <li>• Records of multiple collections by same individual;</li> <li>• Absence of signatures; and</li> <li>• Use of unidentifiable thumbprints as a means of acknowledgement by beneficiaries.</li> </ul> <p><u>Underlying cause:</u> The role of the field monitoring assistant requires review and redefinition to include internal control checks within process monitoring activities. There is a gap in process monitoring with regard to the verification of CP and financial service provider activities and distribution reports.</p>	<p>OSZ, in coordination with the Monitoring Unit, Performance Management and Monitoring Division (RMPM) and the Information Technology Beneficiary Service Branch (RMTB), will review and strengthen guidance and systems for verification of distribution activities, distribution reports and supporting evidence that include an internal controls and risk-based perspective in addition to a programmatic perspective; where relevant this process will continue to build upon and enhance the rollout of existing programme management tools such as COMET.</p>
<p>2 <b>Control Activities</b> – Verification, profiling and prioritization</p> <p>Corporate guidelines state that COs should conduct frequent verifications of beneficiary information during the course of a project to identify errors in registration or changes in population. The audit noted control weaknesses in the processes associated with verification of beneficiaries as follows:</p> <p><i>Verification</i> - Due to the absence of detailed corporate guidelines on verification:</p>	<p>OSZ will design and roll out guidelines and frameworks regarding beneficiary verification, prioritization and profiling, and will define the acceptable risk thresholds to trigger expanded verification exercises and programme reviews.</p>

Observation	Agreed action
<ul style="list-style-type: none"> <li>• Only one CO had formalized verification guidelines - most relied on CPs' methodologies for verifications;</li> <li>• Different thresholds (5-20 percent) were observed to be applied to determine levels of risk and uncertainty and to trigger the complete verification of beneficiaries within designated areas;</li> <li>• Sample sizes to perform verifications were chosen arbitrarily and without considering whether they were statistically representative and within a target margin of error;</li> <li>• The frequency of verifications was inconsistent, ranging from monthly or yearly to once per the project cycle (two years or longer) for similar activities and contexts;</li> <li>• There was no consensus on what constituted verifications for certain types of activities or whether verifications were needed for these activities, and if so in what form. Thus, approaches and methodologies varied from one country to another for the same type of activities (for example, on-site monitoring, household visits, remote monitoring); and</li> <li>• Verification objectives were not stated in the project documents, standard operating procedures, or agreements with government and CPs.</li> </ul> <p><i>Prioritization and profiling exercises</i> – Some COs have developed comprehensive profiling methodologies for protracted scenarios and are planning to expand these to other programme activities and modalities. These efforts were not guided by corporate policies or guidelines, and had to be re-engineered by every CO.</p> <p><i>Strategic risk</i> – There is no systematic process or defined requirement for the positive confirmation of beneficiary identities and verification of their continued eligibility to receive assistance from WFP programmes. WFP has not defined beneficiary management policies and targets, beneficiary identification risk thresholds and acceptable rates of error triggering comprehensive verification exercises and/or programme reviews. Furthermore, verification exercises and resulting indicators of inclusion error were not considered performance indicators, despite their potential to impact on programmatic efficiency and effectiveness.</p> <p><u>Underlying cause:</u> Corporate guidelines are not tailored to different operating scenarios, activities or populations, and do not consider the costs, benefits and risks of conducting/not conducting verifications. Such guidelines are required to allow for risk-informed detailed and tailored approaches to the frequency, coverage and methodologies of verifications, and for identifying those instances where verifications may not be needed. Verifications and profiling exercises were not prioritized and were largely dependent on the efforts of individuals, availability of resources, and appetite of COs to perform these rather than an overall objective, strategy or plan.</p>	

Observation	Agreed action
<p>3 <b>Control Activities – Identity management processes</b></p> <p>WFP programmes are expected to implement robust processes and controls to ensure entitlements are transferred to the right individual for the right amount. COs rely upon diverse identity management processes including WFP-issued ration cards, government-issued IDs, biometric technologies and third-party-issued IDs. The audit noted that while biometric systems and government-issued IDs have a high degree of reliability, some other mechanisms are not so reliable and pose risks, as follows:</p> <p><i>Ration cards</i> – For the sample of COs reviewed during the audit, WFP-issued ration cards were noted to be particularly weak as they did not incorporate beneficiary photos or other information which could be cross-referenced against a reliable means of identification. Moreover, most ration cards lacked strong security features (for example, pre-printed serial numbers, names and IDs, bar codes) and were not actively logged and tracked by CPs or WFP at the serial number level. Ration cards were regularly provided to CPs in excess of needs. Several factors observed increased the risk for irregularities and fraud, including:</p> <ul style="list-style-type: none"> <li>• Unreliable validation of beneficiaries by community leaders;</li> <li>• Lack of controls over the validity and accuracy of the ration cards recorded on distribution lists;</li> <li>• Absence of robust systems for beneficiary information management (BIM).</li> </ul> <p><i>Identity management processes</i> - In most instances, ration cards are issued to beneficiaries by CPs. COs did not perform assessments to ensure internal controls including segregation of duties, chains of custody, tracking and monitoring of ration cards, authorizations and data management were present and were appropriately designed. Whilst mitigating detective controls were present via post-distribution monitoring (PDM) and CFMs, preventive and deterrent controls were hindered by the lack of robust identity management and BIM systems (such as SCOPE).</p> <p><i>Collection of personal and private information</i> – Privacy Impact Assessment (PIAs) had not been performed as required by the data protection and privacy policy. In general, COs were noted to have not been informed of their local requirements for the lawful and fair collection and use of beneficiary personal and biometric data. COs considered that they were not equipped with the expertise to perform PIAs or to interpret their level of compliance with requirements.</p> <p><u>Underlying cause:</u> WFP does not have a policy or guidelines for identity management. The reliability and potential financial, operational and reporting risks associated with different identity management options are not systematically assessed. The corporate guidelines do not specify minimum requirements and mandatory controls over identity management. Decisions on beneficiary management processes are not guided or informed by a defined corporate risk appetite and thresholds. Strong identity management solutions have not been prioritized due to lack of resources and competing priorities.</p>	<p>OSZ will:</p> <ol style="list-style-type: none"> <li>Standardize identity management processes and define corporate risk appetite and thresholds with regard to identity management, to guide and inform COs in the implementation of SCOPE and assessment and selection of identity management solutions;</li> <li>Strengthen corporate guidelines for identity management processes by providing a clearer indication of the minimum requirements and mandatory controls for identity management, using a risk-based approach tailored to different types of activities, target populations and contexts; and</li> <li>Incorporate identity management objectives and key internal controls into the selection, process monitoring and performance assessments of WFP partners.</li> </ol>

Observation	Agreed action
<p>4 <b>Information and Communications</b> - SCOPE project implementation</p> <p>WFP has adopted SCOPE as its corporate digital platform to support the BIM process. SCOPE aims at standardizing BIM and improving programme delivery efficiency, addressing some of the control weaknesses noted in this report.</p> <p>All COs implementing cash-based transfer (CBT) activities are expected to plan to use SCOPE by the end of December 2017. As of August 2017, SCOPE had been deployed in 61 out of 85 COs and had more than 24 million beneficiaries registered in its database; however, of this amount only 6.8 million had been enrolled and were actively managed in the application, representing only 8.3 percent of the total number of people assisted by WFP in 2016. For beneficiaries not enrolled, data has remained dormant in the application due to several factors, including:</p> <ul style="list-style-type: none"> <li>• <i>Data quality</i> – data uploaded into SCOPE was incomplete and/or inaccurate and could not be used; several COs had also not fully digitized beneficiary records.</li> <li>• <i>Functionality limitations</i> – SCOPE was limited in its ability to tag beneficiary conditionality, allow for customized reporting, data analytics and reconciliations of distributions.</li> <li>• <i>Technical challenges</i> – COs reported having challenges in uploading and downloading data into and out of SCOPE, and of issues with connectivity due to bandwidth.</li> <li>• <i>Data management challenges</i> - COs reported limitations to their ability to correct errors and update beneficiary data in SCOPE.</li> <li>• <i>Service capacity</i> – users noted issues in identifying who to contact for support, response times (due to time zone differences) and availability of support in languages other than English. In this regard RMTB has taken steps to improve service desk capacity by implementing multi-lingual support, placing technical support staff in every RB, and extending the support desk hours.</li> </ul> <p>In addition, a number of COs were not actively using SCOPE because of pre-existing commitments with donor and partners to use third-party BIM systems, data hosting compliance requirements, and the need for customized functionalities not available through SCOPE.</p> <p><u>Underlying cause:</u> The technical implementation of SCOPE has not been accompanied by an equal business transformation process, programme cycles or programme needs to ensure procedures, roles and responsibilities are aligned and take full advantage of SCOPE capabilities; standard operating procedures for beneficiary management have not been established.</p>	<p>RMT will coordinate with OSZ to develop a strategy and plan to build up WFP’s organizational capacity to respond to and support the deployment of SCOPE.</p>

Observation	Agreed action
<p>5 <b>Information and communication</b> – Beneficiary data management</p> <p>WFP manages and uses large amounts of beneficiary data throughout programme lifecycles. The audit noted several issues with regard to beneficiary data management including:</p> <p><i>Custody of master beneficiary data</i> - Roles and responsibilities over the custody of beneficiary master data were not consistently defined in FLAs and supporting plans of operations reviewed during the audit. This resulted in some instances of master data being hosted by CPs, with varying levels of controls and risks of unauthorized access and changes to beneficiary data going undetected.</p> <p><i>Digitalization of beneficiary records</i> - Only half of the COs reviewed during the audit had fully digitalized beneficiary records. The remaining COs were managing beneficiary data using a mix of paper and electronic records. The lack of digital records severely limits the ability of COs to use data for analysis and planning, monitor changes to data, de-duplicate records, and perform reconciliations of distributions.</p> <p><i>De-duplication of records</i> – de-duplication exercises, either through spreadsheets or through the use of bio-metric data, are an essential step in ensuring entitlements are provided to the beneficiary only once in any given distribution cycle. The audit noted these processes were not consistently performed by COs and CPs, were not mandated or referenced in most of the FLAs, and were hindered by the lack of digitalized beneficiary records and integrated databases. Moreover, corporate guidelines do not make reference to this important internal control process.</p> <p><i>Data backups</i> – CPs were not consistently backing up beneficiary data. The audit noted that beneficiary data in the custody of CPs was lost on two occasions by CPs due to riots and natural disasters. These losses disrupted operations as no backup copies of beneficiary records had been taken by WFP or CPs.</p> <p><u>Underlying cause:</u> Robust BIM systems such as SCOPE have not yet been fully adopted. BIM policies and guidelines are in draft and need to be rolled out to address the issues presented in the report. COs have not completed data flows to identify vulnerability points in data management and have not develop risk avoidance and/or mitigation strategies.</p>	<p>(1) OSZ will:</p> <p>(a) In coordination with RMTB and the WFP Legal Unit (LEG) review and strengthen the standard clauses with partners regarding digitalization of beneficiary records and custody of the master data; identify appropriate circumstances where beneficiary data may not be in the custody of WFP; and develop a process to ensure these cases are justified, reviewed and approved using a set of well-defined criteria; and</p> <p>(b) In coordination with RMTB, map all WFP and CP BIM systems hosting beneficiary data, perform a systematic risk assessment of each system and formulate and track the implementation of mitigating measures, prioritizing the implementation of SCOPE to ensure data quality, integrity and to prevent duplication of beneficiary records.</p> <p>(2) RMT will finalize and publish the corporate BIM guidelines, ensuring these address the issues highlighted in this report.</p>

**Table 5: Medium-risk observations**

Observation	Agreed action
<p>6 <b>Control environment</b> - Governance, policy and guidelines</p> <p><i>Governance Structure and Process Ownership</i> - RMTB and various units within OSZ have developed normative guidance for different aspects of beneficiary management (for example, protection, data protection and privacy, standards for SCOPE beneficiary registration). However there is no overall function or person(s) responsible for overseeing the development and integration of this guidance, to ensure that it is coherent, aligned to the organization's expectation of controls and corporate commitments, and rolled out in coordinated manner. Duplication of efforts is also evident here. Ad hoc working groups were noted by the audit to support specific beneficiary management topics; however, these efforts were not guided by an overall set of goals, strategy or objectives to ensure efforts are sustained and objectives ultimately achieved.</p> <p><i>Policy and Guidelines</i> - The audit noted a lack of integration and coherence regarding beneficiary management policies and guidelines. Policy gaps were also noted regarding BIM and the appropriate roles and responsibilities of WFP's partners (CPs) during verification of beneficiaries, as well as beneficiary profiling/prioritization activities and methodologies.</p> <p><i>Country-Level and Partner-Level Operating Procedures</i> - The audit noted inconsistent assignment of roles and responsibilities, processes and internal controls for BIM, custody and management of ration cards and CFM processes, leading to segregation of duties issues. Whilst standard operating procedures (SOPs) for aspects of beneficiary management had been developed by most COs, these varied in their completeness, level of detail and quality.</p> <p><i>Beneficiary Registration Policy</i> - WFP corporate guidelines provide for instances where activities may be carried out without the registration of persons receiving food assistance. The scenarios addressed by the guidelines do not however include those instances where WFP may be providing assistance to the majority of a population within a given targeted geographical area, due to high levels of food insecurity. In these cases the inclusion error rates typically applied by WFP during verification of beneficiaries may be equal to or below the percentage of people not in need of assistance; as such the maximum possible verification error in a population may be less than the acceptable error, making the verification exercise redundant. There is therefore a risk that the efficiency and timeliness of WFP interventions may be impacted by the cost and time it takes to perform superfluous registration and verifications, which may account for a significant proportion of operational costs.</p> <p><u>Underlying cause:</u> Lack of an overall policy, framework and minimum standards for beneficiary management; and need for a function to direct, coordinate and oversee the development of normative guidance and support</p>	<p>OSZ, in coordination with relevant units, will:</p> <ul style="list-style-type: none"> <li>(a) Establish a governance, accountability and support framework (including process ownership, roles and responsibilities), defining goals, systems, processes, minimum standards and requirements for beneficiary management; and</li> <li>(b) Update corporate guidelines, including activity-level manuals and guides.</li> </ul>

Observation	Agreed action
<p>COs. Lack of established internal control procedures to evaluate process design and internal control risks of partners implementing programmes on behalf of WFP.</p> <hr/> <p>7 <b>Control environment</b> – Partnership roles within beneficiary management</p> <p>WFP implements the majority of its activities through CPs, including beneficiary registration, verification, data management activities, and distribution activities. The audit noted that the roles and responsibilities of partners regarding beneficiary management were, in most instances, not clearly outlined in FLAs and/or supporting plans of operation; whilst sampled COs carried out process monitoring at registration and distribution points, they had not conducted process walkthroughs to identify potential CP control weaknesses and segregation of duties issues in beneficiary management processes.</p> <p>The absence of a defined policy on CP involvement in the beneficiary management process, absence of robust CP capacity in the field, and lack of internal control assessments of partners to identify the necessary mitigating controls, have contributed to many of the observations included in this report.</p> <p><u>Underlying cause:</u> Policies and guidelines do not specify the appropriate roles, responsibilities and tasks which may or may not be delegated to CPs in the context of beneficiary management activities.</p>	<p>OSZ will:</p> <p>(a) In collaboration with the Partnerships, Governance and Advocacy Division (PG) and relevant units, evaluate and define the appropriate roles and responsibilities of partners in the processes of beneficiary management, identifying those activities which may or may not be delegated to CPs, and strengthen tools for the evaluation and selection of partners; and</p> <p>(b) In coordination with LEG, review standard partner agreements to ensure robust and clear language is included concerning roles and responsibilities relating to beneficiary management and the implementation of best practices.</p>
<p>8 <b>Control activities</b> – Beneficiary safety</p> <p>One of WFP’s primary goals is to conduct its activities in a manner which promotes the safety of beneficiaries from physical injury, violence, coercion, deprivation or intimidation; COs are to consider and evaluate whether the people they serve can safely collect their entitlements and return home, ensuring security requirements are specified and present for the safe participation of beneficiaries in WFP activities.</p> <p>The audit noted instances where these responsibilities had been delegated to CPs without due consideration of their capacity to assume such duties. Moreover COs did not adequately understand the processes followed by CPs to assess safety and security risks, or the coordination mechanisms with local military and civil defence and other security assets for increased security presence at, to and from programme sites. For activities where WFP was supplementing existing government-run assistance programmes it was not clear what responsibility, if any, the CO had in assessing and coordinating safety and security at government-run facilities.</p> <p>For the COs sampled, most CP-conducted security assessments and security were focused on the safety and security of staff without consideration of potential threats to beneficiary populations; CP-conducted</p>	<p>OSZ, in coordination with the WFP Field Security division (RMQ), will define a risk-based approach for assessing the safety and security of beneficiaries in the field, establishing minimum standards, process flows, assessments and process monitoring tools for WFP and its CPs.</p>



Observation	Agreed action
<p>assessments and safety and security advocacy and coordination mechanisms were noted to vary from robust and systematic to non-existing.</p> <p>Whilst no significant safety and security incidents were noted in association with WFP activities for the sampled COs during the audit period, it was noted that WFP implements its programme activities in diverse security contexts, including many areas with high inherent safety and security risks.</p> <p><u>Underlying cause:</u> FLAs and supporting plans of operations lack specificity with regard to beneficiary safety and security; minimum standards, checklists and tools do not exist for the assessment of CP-conducted safety and security assessments; and standard process flows and clearly defined roles and responsibilities do not exist to provide COs with a model guide on how to operationalize corporate policies.</p>	
<p><b>9 Information and Communication – Beneficiary personal data protection and privacy</b></p> <p>Protecting information is a fundamental part of WFP’s duty of care to its beneficiaries. Breaches in confidentiality and misuse of private information could compromise the safety and security of individual beneficiaries or beneficiary communities. The audit noted several issues relating to personal data protection and privacy.</p> <p><i>Beneficiary consent for personal data collection</i> – All COs reviewed were not obtaining formal beneficiary consent at the household level agreeing to the collection, processing, and sharing of beneficiary data, as required in the corporate guide to data protection and privacy. In most cases, consent was implied following community sensitization and consultation activities. COs noted that policy requirements were too onerous and that flexibility was needed to adapt inform consent requirements to the peculiarities of the country context.</p> <p><i>Sensitive personal information</i> – In a few cases WFP and CPs were observed to be collecting sensitive personal information without a specified and legitimate purpose (for example, religious affiliation.) In one instance a CP collected information from beneficiaries for secondary purposes without informing WFP or disclosing to the beneficiary that their data was collected for activities unrelated to WFP.</p> <p><i>Unprotected data</i> - Excel files maintained by CPs were observed to be largely unprotected and hosted in personal laptops without adequate protection and safeguards. In addition, beneficiary data was exchanged between WFP and CPs, and amongst CP offices, using Excel spreadsheets without adequate safeguards such as password protection, encryption or secure file transfer protocols, thereby exposing sensitive beneficiary information to potential breaches.</p>	<p>OSZ will:</p> <ul style="list-style-type: none"> <li>(a) Finalize the draft terms of reference for the DPFPs;</li> <li>(b) In coordination with RMT, identify and deploy technical solutions for the secure exchange of sensitive information between WFP and its partners;</li> <li>(c) Identify and illustrate the specific circumstances and operational scenarios where COs could apply flexibility and deviate from expected beneficiary consent requirements;</li> <li>(d) Work with the RBx to ensure levels of compliance with key policy requirements are monitored and tracked for performance monitoring;</li> <li>(e) Strengthen the role of the Data Protection Officer and the position’s ability to disseminate and support the development and implementation of data protection and privacy guidelines by COs, completion of the PIAs, and provision of training and support to the DPFPs and COs during the negotiation of DSAs; and</li> </ul>

Observation	Agreed action
<p><i>Privacy Impact Assessments (PIAs) and Data Protection Focal Points (DPFPs)</i> – None of the COs sampled for the audit had carried out PIAs and only two had designated DPFPs as required by WFP Guide to Personal Data Protection and Privacy (June 2016.) In both cases, the terms of reference for the DPFP had not been formalized.</p> <p><i>Data sharing agreements</i> – WFP actively shares and receives beneficiary data from NGO partners, governments, UN Agencies and financial service providers as part of its on-going programme activities. The audit noted that only a few of these arrangements were supported by robust data sharing agreements (DSAs) outlining the terms and conditions for the release, security, control and lawful and fair use of data; and only a few DSAs had been reviewed by LEG. Moreover, data interoperability standards among agencies, major government partners and NGOs and WFP had not been established, preventing the efficient and effective flow of data between partner databases and systems and WFP’s BIM systems including SCOPE and CO-level developed systems. DSAs and data interoperability may be particularly critical in internally displaced people (IDP) and refugee contexts, where WFP may need to share or obtain data quickly for analysis and activity planning.</p> <p><i>United Nations High Commissioner for Refugees (UNHCR)</i> - At the time of the audit WFP was in discussions with UNHCR to start outlining a comprehensive DSA. It was noted from previous audit reports and through discussion with the sampled COs that a DSA with UNHCR is urgently needed to address operational issues that affect the timely and efficient delivery of assistance to refugee populations.</p> <p>The audit notes that WFP is taking steps to address some of the issues referred to above and is in the process of strengthening data protection and privacy throughout the organization.</p> <p><u>Underlying cause:</u> The Guide on Data Protection and Privacy Policy was rolled out recently (January 2017) but has not been supported with sufficient resources for its effective implementation in the field. Two employees are supporting the implementation of the policy in 85 COs and 6 RBx.</p>	<p>(f) Work with UNHCR in finalizing the global data sharing agreement and prepare a plan to operationalize it.</p>
<p><b>10 Monitoring – Beneficiary complaint and feedback mechanisms</b></p> <p>WFP has an active commitment to give account to, take account of, and be held to account by the people it assists. Part of this commitment entails setting up CFMs to receive information from people in communities served by WFP, and to provide an avenue to detect programme implementation and quality issues and mitigate risks. The audit noted that whilst in the majority of cases CFM processes were in place and operating, some internal control weaknesses were noted as follows:</p> <p><i>CFM design flaws</i> - There were inherent design weaknesses in the countries sampled including potential conflicts of interest (especially for community-based CFMs), lack of anonymity during the submission of</p>	<p>OSZ will:</p> <p>(a) Review and revise the Minimum Standard for Implementing CFM guidelines and address the integration and streamlining of the CFM process to increase its efficiency and effectiveness;</p> <p>(b) Develop an oversight and support plan to systematically assess and strengthen CFMs based on common criteria;</p>

Observation	Agreed action
<p>complaints by beneficiaries, and lack of supporting systems to capture and process complaints and feedback. The audit noted that power relations were seldom considered when nominating members for community complaint committees that could potentially result in abuse of power issues going undetected.</p> <p><i>Lack of integration and CFM process inefficiencies</i> – The audit noted in several instances that there were multiple, redundant channels for beneficiaries to provide their feedback to WFP, including several complaint boxes, on-site help desks, hotlines and reports provided directly to CP and WFP staff. While multiple channels may provide more opportunities for beneficiaries to submit information, there is a potential dilution of the effectiveness of the process and compromising of its integrity if the information is not integrated. This is particularly true when WFP-targeted populations are receiving multiple forms of assistance from other agencies, government partners and NGOs.</p> <p><i>Lack of consistency</i> – The audit noted variation in approaches to CFM, with some COs developing sophisticated ticketing systems or outsourcing the intake of complaints to private service providers, while other COs, with similar risk profiles, had not devoted the same level of resources to developing their CFM systems.</p> <p><i>Reliance on counterparty CFM</i> – The audit noted several instances where CFM processes had not been set up by WFP, as the CO programmes were supplementing government-run activities, including school feeding, treatment and nutrition programmes. Corporate guidelines were not clear on whether WFP could or should rely on such systems, should assess these, or should set up an independent CFM.</p> <p><u>Underlying cause</u>: Need for a practical and consistent approach to designing CFM processes, with due consideration for potential for segregation of duty issues, conflict of interest risks, and abuses of power. Coordination, optimization, efficiency and effectiveness may not be consistently considered when designing and setting up CFM.</p>	<ul style="list-style-type: none"> <li>(c) Assess and provide guidance on the appropriate circumstances and conditions under which WFP may rely entirely on counterpart or third-party sources of information;</li> <li>(d) Add to relevant guidelines ways to integrate and streamline the CFM process and perform an analysis for potential methods to increase its efficiency and effectiveness; and</li> <li>(e) In coordination with the RBx protection focal points, develop an oversight and support plan to systematically assess CFMs based on common criteria, to provide advice and support to COs and close any control gaps that may be present.</li> </ul>

## Annex A – Summary of categorization of observations

The following table shows the categorization ownership and due date agreed with the auditee for all the audit observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

Observation	Risk categories					Owner	Due date
	WFP's ICF	WFP's Management Results Dimensions	WFP's Risk Management Framework	Underlying cause category			
1 Verification process controls	Operational	Processes and Systems Programme	Programmatic	Guidelines	OSZ	31 May 2019	
2 Verification, profiling and prioritization	Operational	Processes and Systems Programmes	Programmatic Institutional	Guidance Guidelines	OSZ	31 May 2019	
3 Identity management processes	Operational	Processes and Systems Programmes	Programmatic Institutional	Guidelines Resources	OSZ	31 May 2019	
4 SCOPE project implementation	Strategic	Processes and Systems	Contextual Programmatic	Resources Best practices	RMT	31 December 2017	
5 Beneficiary data management	Compliance	Processes and systems Programmes	Contextual Programmatic Institutional	Compliance Resources Guidance	OSZ RMT	31 May 2019 31 March 2018	

Observation	Risk categories						
	WFP's ICF	WFP's Management Results Dimensions	WFP's Risk Management Framework	Underlying cause category	Owner	Due date	
6	Governance, policy and guidelines	Strategic	Accountability and Funding Processes and Systems	Institutional	Guidelines Resources Guidance	OSZ	30 November 2018
7	Partnership roles within beneficiary management	Strategic	Partnerships	Contextual Programmatic	Guidelines	OSZ	30 November 2018
8	Beneficiary safety	Compliance	Programmes	Programmatic Institutional	Guidelines Guidance Best practice	OSZ	30 November 2018
9	Beneficiary personal data protection and privacy	Compliance	Processes and Systems	Programmatic Institutional	Resources Guidelines Guidance	OSZ	30 November 2018
10	Beneficiary complaints and feedback mechanisms	Operational	Programmes Processes and Systems	Contextual Programmatic Institutional	Guidelines Guidance	OSZ	30 November 2018

## Annex B – Mapping of audit observations to the sample of country offices reviewed

**Table B.1: Table indicating the source of audit observations from the country offices reviewed during the audit**

Observations	Field visits			Desk reviews			
	Malawi	Myanmar	Sudan	Bolivia	Guinea Bissau	Palestine	CO & RB surveys and interviews
1. Verification process controls	✓	✓	✓	✓	✓	✓	✓
2. Verification, profiling and prioritization	✓	✓	-	✓	✓	-	✓
3. Identity management processes	✓	✓	✓	✓	✓	-	-
4. SCOPE project implementation	✓	✓	✓	✓	✓	✓	✓
5. Beneficiary data management	✓	✓	✓	✓	✓	✓	-
6. Governance, policy and guidelines	-	-	-	-	-	✓	✓
7. Partnership roles within beneficiary management	✓	✓	✓	✓	✓	-	✓
8. Beneficiary safety	✓	✓	✓	✓	✓	✓	-
9. Beneficiary personal data protection and privacy	✓	✓	✓	✓	✓	✓	-
10. Beneficiary complaints and feedback mechanisms	✓	✓	✓	✓	✓	-	-

**Key:** in the above table “✓” indicates that evidence was obtained from the audit review of a country office or other entity to support an observation made at the corporate level.

## Annex C – Definition of categorization of observations

### 1. Rating system

1. 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 processes. A rating of one of the following four categories is reported for each audit: effective/satisfactory; partially satisfactory/some improvement needed; partially satisfactory/major improvement needed; or ineffective/unsatisfactory. These categories are defined as follows:

**Table C.1: Rating system**

Engagement rating	Definition
Effective / Satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved.  Issues identified by the audit, if any, do not affect the achievement of the objectives of the audited entity/area.
Partially satisfactory / Some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well, but need improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved.  Issue(s) identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.  Management action is recommended to ensure that identified risks are adequately mitigated.
Partially satisfactory / Major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.  Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area.  Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / Unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved.  Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.  Urgent management action is required to ensure that the identified risks are adequately mitigated.

### 2. Risk categorization of audit observations

2. Audit observations are categorized by impact or importance (high, medium or low risk) as shown in Table C.2 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>3</sup>

<sup>3</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.

**Table C.2: Categorization of observations by impact or importance**

High risk	<p>Issues or areas arising relating to important matters that are material to the system of internal control.</p> <p>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.</p>
Medium risk	<p>Issues or areas arising related to issues that significantly affect controls but may not require immediate action.</p> <p>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.</p>
Low risk	<p>Issues or areas arising that would, if corrected, improve internal controls in general.</p> <p>The observations identified are for best practices, as opposed to weaknesses that prevent the meeting of systems and business objectives.</p>

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

### 3. WFP's Internal Control Framework (ICF)

4. 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 and revised in 2015.

5. WFP defines internal control as: "a process, effected by WFP's Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, compliance."<sup>4</sup> WFP recognises five interrelated components (ICF components) of internal control, all of which need to be in place and integrated for them to be effective across the above three areas of internal control objectives.

**Table C.3: Interrelated Components of Internal Control recognized by WFP**

1	Control Environment:	Sets the tone of the organization and shapes personnel's understanding of internal control.
2	Risk Assessment:	Identifies and analyses risks to the achievement of WFP's objectives through a dynamic and iterative process.
3	Control Activities:	Ensure that necessary actions are taken to address risks to the achievement of WFP's objectives.
4	Information and Communication:	Allows pertinent information on WFP's activities to be identified, captured and communicated in a form and timeframe that enables people to carry out their internal control responsibilities.
5	Monitoring Activities:	Enable internal control systems to be monitored to assess their performance over time and to ensure that internal control continues to operate effectively.

### 4. Risk categories

6. 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:

<sup>4</sup> OED 2015/016 para.7



**Table C.4: Categories of risk – based on COSO frameworks 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.

7. 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 C.5: 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 enabling 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 utilized – Effective management of resources demonstrated.

**Table C.6: 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.

## 5. Causes or sources of audit observations

8. Audit observations are broken down into categories based on causes or sources:

**Table C.7: 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 (such as funds, skills, staff) 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 recognized best practice.

## 6. Monitoring the implementation of agreed actions

9. 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 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.

## Annex D – Acronyms

AAP	Accountability to affected populations
APP	Annual Performance Plan
APR	Annual Performance Report
BIM	Beneficiary information management
CBT	Cash-based transfers
CFM	Complaints and feedback mechanism
CO	Country Office
COMET	Country Office Tool for Managing Programme Operations Effectively
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Cooperating partner
CRF	Corporate Results Framework
DGB	Data Governance Board
DPFP	Data Protection Focal Points
DSA	Data sharing agreement
FLA	Field level agreement
IASC	Inter Agency Standing Committee
ICF	Internal control framework
IDP	Internally displaced people
IRM	Integrated Road Map
LEG	WFP Legal Unit
OSZ	Policy and Programme Division
PIA	Privacy Impact Assessment
PDM	Post-distribution monitoring
PG	Partnerships, Governance and Advocacy Division
RBx	Regional Bureaux
RMP	Performance Management and Monitoring Division
RMPM	Monitoring Unit, Performance Management and Monitoring Division
RMT	Information Technology Division
RMTB	Information Technology Beneficiary Service Branch
SOP	Standard operating procedures
SRAC	Strategic Resource Allocation Committee
WFP	World Food Programme