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Internal Audit of WFP's Implementation of General Food Assistance and Livelihood Activities in Syria

Office of the Inspector General
Internal Audit Report AR/19/06

WFP
World Food Programme

Contents

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I. Executive Summary

Introduction and context

1.   As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's implementation of general food assistance and livelihood activities in Syria that focused on the period from 1 November 2017 to 31 October 2018. Expenditures in Syria totalled USD 349 million in 2018, representing approximately five percent of WFP's total direct expenses for that year. The audit team conducted the fieldwork from 18 November to 7 December 2018 at the country office premises in Damascus, through onsite visits to field offices in Homs and Rural Damascus, and at WFP headquarters. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2.   Now in its eighth year, the protracted humanitarian crisis in Syria has severely impacted the economic and social conditions of the country's population. Millions of Syrian people have been internally and externally displaced, are unemployed, and are in need of humanitarian assistance. The scale of damage and complexity of the crisis suggest that humanitarian needs will persist in most parts of this once middle-income country. Since the beginning of the crisis in 2011, WFP has been providing food, nutrition and livelihoods assistance to crisis-affected Syrian families in the country as part of the regional (Syria plus five neighbouring countries) response.

3.   The 12-month WFP transitional interim country strategic plan, which ended in December 2018, was 68 percent funded (USD 541.3 million) at the time of the audit. General food assistance targeted approximately 3 million people in all 14 Syrian governorates on a monthly basis. WFP was also implementing seven livelihood projects across several governorates, benefiting around 65,800 people.

4.   The audit specifically reviewed the programme cycle (comprising assessments, implementation, monitoring, information management and coordination) of the two main ongoing activities: (i) general food assistance; and (ii) livelihood and resilience activities, representing approximately 80 percent of the 2018 country portfolio budget. Within these activities, implemented through cooperating partners, the audit focused on cooperating partners' roles and responsibilities, and major processes, risks and related controls associated with these areas. Upstream and cross-cutting areas such as governance, resource management and support functions were considered insofar as they supported and/or impacted the programme cycle of the sampled activities.

Audit conclusions and key results

5.   The country office's interim Country Strategic Plan for 2019-2020, as approved by the Executive Board in November 2018, adjusted programme implementation arrangements in light of changes in security, access and trade in Syria. It aims to continue providing food assistance to the most vulnerable while gradually shifting to livelihood activities designed to support equitable and sustainable recovery, and to align with the priorities of the Government as per the United Nations strategic framework and the humanitarian community. Although limited at the time of the audit, livelihood activities were reviewed considering their expected scale-up.

6.   Humanitarian access remains a continuing operational challenge for WFP due to the volatility of the security situation and fluctuations in access patterns, particularly in hard-to-reach areas including those

controlled by non-state armed groups. Constraints on staff movements have limited WFP's capacity to effectively perform, manage and directly monitor programme cycle activities. These constraints were mitigated by the engagement of cooperating partners and third party monitors in areas not accessible to WFP staff.

7. The audit noted weaknesses in the continuous collection, use and verification of data on household food insecurity and vulnerability for effective beneficiary management, and as a further evidence base to increase fundraising. Despite WFP's efforts in monitoring rations distributed and households reached, there was limited visibility of the degree of rotation and other inclusion/exclusion errors because household-level verifications were not feasible. Most post-distribution monitoring was conducted face-to-face at distribution points. WFP carried out post-distribution verification by telephone to compensate for these constraints; however there were no comprehensive and independent verifications of beneficiary lists to ensure that households registered by cooperating partners met targeting criteria. The audit also noted that WFP's efforts to coordinate livelihood activities at scale were constrained due to insufficient funding and by lack of an integrated joint strategy, particularly with the Early Recovery and Livelihoods sector.

8. Working with cooperating partners, mainly non-governmental organizations and local charities, is a key operational activity to ensure reach and coverage of hard-to-reach areas. The audit noted that due diligence processes in selecting and contracting partners could be strengthened if linked with and informed by the upstream shortlisting process, and by including systematic verification of partners' offices and facilities. Capacity strengthening of partners could be enhanced by linking assessments with strengthening activities.

9. The audit also noted inconsistency in the tracking and follow-up of monitoring issues because of inadequate corporate monitoring systems, and the decentralized role of field offices in tracking the implementation of corrective measures. The monitoring and evaluation database used by the country office was not up-to-date, and more guidance was needed to improve reports prepared by third party monitors. Beneficiary feedback mechanisms, recently approved at the time of the audit, required development and implementation of standard operating procedures to properly mature and meet corporate standards.

10. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **Partially satisfactory / Some improvement needed**. The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objectives of the audited entity should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity. Management action is recommended to ensure that identified risks are adequately mitigated. In its assessment, the audit noted and took into consideration some of the changes and management actions already underway at the time of the fieldwork to address some of the weaknesses identified.

11. The audit report contains one high priority and three medium priority observations. An overview of all observations and agreed actions is summarized in Table 1.

Actions agreed

12. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates. The Office of Internal Audit would like to thank the managers and staff for their assistance and cooperation during the audit.

Kiko Harvey

Inspector General

II. Context and Scope

Syria

13. The prolonged crisis in the Syrian Arab Republic (Syria), now in its eighth year, has taken a heavy toll on the country's population. As of early 2018, 6.6 million people were internally displaced and 5.6 million were refugees living outside the country[1]. Soaring food and fuel prices, stagnant salaries, loss of livelihoods and reduced food production have led to widespread food insecurity across the country. Approximately 69 percent of the Syrian population is estimated to live in extreme poverty, with unemployment reaching up to 75 percent among youth. With 1.75 million children currently not attending school, this systemic crisis is likely to have an impact on future generations. There are 6.5 million people unable to meet their food needs and a further 4 million people at risk of food insecurity (2018 Humanitarian Needs Overview[2]).

14. A middle-income country before the crisis, Syria is now in the low human development category, ranked 149 out of 188 countries in the 2016 UNDP Human Development Index. The crisis has further increased the exposure of women and girls to protection and health risks, especially those related to gender-based violence. Syria ranked 142 out of 144 countries on the 2017 Global Gender Gap Index[3], with the lowest score for 2017–2018 of the 153 nations in the Global Women, Peace and Security Index, which reflects women's well-being and empowerment in households, communities and society[4].

15. After years of crisis, both physical infrastructure and systems for providing public services are severely affected. Public services such as education, health and utilities have all deteriorated. While the crisis is increasingly concentrated in specific regions, with relative stability returning to many other areas, access and security challenges persist. The scale of damage and the complexity of the crisis suggest that even if an inclusive political situation is found, humanitarian needs will persist in large parts of the country in the short to medium term.

WFP operations in Syria

16. Since the beginning of the crisis in 2011, WFP has been providing food, nutrition and livelihoods assistance to crisis-affected Syrian families in the country as part of the regional (Syria+5) response, for which WFP is the only United Nations agency to have implemented the Whole of Syria operational model which uses a single response framework and a special coordination mechanism for UN agencies[5]. Under fluid, fast-moving and politically-sensitive operating conditions, WFP has had to act upon its mandate to serve humanitarian needs while adhering to humanitarian principles and United Nations Security Council resolutions; responding to host government expectations; addressing diverse donor priorities; and operating in coherence with the wider United Nations response – all amidst the intense scrutiny that accompanies this high-profile crisis.

17. In Syria, WFP operations are aligned to the 2018 Humanitarian Response Plan, which is complemented by operational response plans (for example for humanitarian interventions for south-west Syria) and the

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[1] Syria regional refugee response. See http://data2.unhcr.org/en/situations/syria
[2] https://www.humanitarianresponse.info/en/operations/whole-of-syria/document/2018-humanitarian-needs-overview-syrian-arab-republic-21-nov-2017.
[3] World Economic Forum. 2017. The Global Gender Gap Report 2017. http://www3.weforum.org/docs/WEF_GGGR_2017.pdf.
[4] http://www.passblue.com/2017/10/31/a-new-index-rates-the-well-being-of-women-in-153-nations/.
[5] UNOCHA (2015) Inter-Cluster Coordination for the Whole of Syria response, available at
https://www.humanitarianresponse.info/en/operations/whole-of-syria/document/coordination-arrangements-whole-syria

Strategic Framework for Cooperation between the Government of the Syrian Arab Republic and the United Nations 2016–2019 (UNSF).

18. The Syria country office (CO) has five field offices (FOs), plus additional staff members posted in Turkey, Jordan and Lebanon. It delivers assistance through three separate mechanisms: regular programming (wholly inside Syria); cross-line operations; and cross-border operations. Most food assistance is provided as in-kind food rations assembled at WFP warehouses or procured directly from suppliers. The CO maintained two separate supply chains, one for inside Syria and another for cross-border deliveries from Jordan (discontinued in June 2018) and Turkey, and has expanded its cooperating partners (CP) base in the country from 33 CPs in 2015 to 54 at the time of the audit. WFP works through a government-approved list of partners and around forty-five percent of assistance is delivered through the Syrian Arab Red Crescent (SARC). SARC is the only agency allowed by the Government to deliver assistance to besieged, hard-to-reach, and newly accessible areas. Going forward, increases in livelihood and nutrition activities will require CPs with a higher degree of technical skills to support diverse groups within the population, including people with disabilities and women's groups, a shift that the CO is already anticipating.

19. In 2017, the Syria CO moved from an Emergency Operation to a Protracted Relief and Recovery Operation (PRRO). At the end of 2017, resources were transferred to a transitional interim Country Strategic Plan (t-ICSP) for 2018. The 12-month t-ICSP had a resource-based pipeline for all its eight activities, and was 68 percent funded in terms of confirmed contributions (USD 541.3 million) at the time of the audit. An ICSP for the period 2019-2020, approved by the Executive Board in November 2018, will: (a) continue providing unconditional food assistance to the most vulnerable people, while gradually shifting to livelihood activities designed to support equitable and sustained recovery for men and women; and (b) align with the priorities of the Government and the humanitarian community. WFP will also continue to implement education and nutrition activities, including capacity strengthening for food fortification initiatives.

20. During 2018, general food assistance (GFA) activities targeted on average 3 million people per month in all 14 Syrian governorates, with a reduced food basket. This was based on a resource-based plan, and due to insufficient funding, was less than the target level of 4 million people included in the t-ICSP. While the southern part of Syria was accessible from inside the country, cross-border deliveries from Turkey accounted for 19 percent of the total WFP food assistance dispatched (cross-border deliveries serve opposition-held areas in Aleppo, Idlib and Hama governorates as well as other hard-to-reach locations).

21. WFP was also implementing seven livelihood projects, benefiting around 65,800 people in Rural Damascus, As-Sweida, Quneitra, Homs, Hama, Aleppo, Deir Ezzor, Dar'a, Tartous, Lattakia and Qamishly governorates. WFP's work on the 2019-20 ICSP livelihood strategy, which aims to enhance the household food security status of beneficiaries, is ongoing with technical line ministries. WFP is improving the link between food assistance and livelihood interventions so that integrated efforts are made towards increasing the proportion of beneficiaries on food assistance benefitting from livelihood interventions. However, operational challenges were faced in implementing this integration strategy.

Objective and scope of the audit

22. 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 implementation of general food assistance and livelihood activities in Syria. 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.

23. 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.

24. The audit specifically reviewed the programme cycle (comprising assessments, design/planning, implementation, monitoring, information management and coordination) of two ongoing activities, focusing on risks related to cooperating partners roles and responsibilities in these activities: (i) GFA; and (ii) Livelihood and resilience activities representing approximately 80 percent of the 2018 country portfolio budget. The audit reviewed the major processes associated with these two activities, key risks in these processes identified in the audit risk assessment, and related key controls mitigating these risks. The audit did not review the related processes for: (a) nutrition and school feeding programmes; and (b) cash-based transfer modalities, the latter of which had a total distribution value of USD 756,478 and approximately 28,000 beneficiaries as of September 2018.

25. Areas included in the audit scope were determined through an audit risk assessment, informed by: (a) a Syria+5 risk and assurance workshop held in 2016; (b) a review of prior oversight activities focusing on Syria; (c) the WFP Office of Evaluation's evaluation of the Syrian regional crisis completed in 2018; (d) a review of relevant documents and data; and (e) stakeholder consultations. Upstream and cross-cutting areas such as governance, resource management and support functions were considered insofar as they supported and/or impacted the programme cycle of the sampled activities. The audit covered the period from 1 November 2017 to 31 October 2018. Where necessary, transactions and events pertaining to other periods were reviewed.

26. The audit field work took place from 18 November to 7 December 2018 at the country office premises in Damascus and visited FOs in Homs and Rural Damascus. In addition, work was carried out in liaison with relevant focal points from selected WFP headquarters units and the Cairo Regional Bureau.

III.Results of the Audit

Audit work and conclusions

27. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **Partially satisfactory / Some improvement needed**[6]. The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objectives of the audited entity should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity. Management action is recommended to ensure that identified risks are adequately mitigated. In its assessment, the audit noted and took into consideration some of the changes and management actions already underway at the time of the fieldwork to address some of the weaknesses identified.

28. The Office of Internal Audit, in supporting WFP's management's ongoing efforts in the areas of risk management and data quality, separately reports its assessments or gaps identified in both areas.

Risk management maturity

29. The Syria country office's risk management tools were kept updated throughout the audit period and a common risk register/matrix with a related strategy and action plan were coordinated at United Nations Country Team level. The shift from its transitional to interim country strategic plan was supported by a

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[6] See Annex B for definitions of audit terms.

detailed action plan built on: institutional learning, captured at the country office level (for example the roll-out of the 2017 targeting tool); regular use of WFP risk management tools; and on external assessments and reviews (for example the 2018 corporate evaluation).

Data quality

30.   The audit noted inconsistency in the tracking and follow-up of monitoring issues because of inadequate corporate monitoring systems not meeting country-level needs. As a result, time and effort were diverted to duplicate entries in several systems, reconciling databases and systems at the expense of focusing further on monitoring findings. The lack of a systematic arrangement of sharing beneficiary data collected by CPs for continuous analysis and triangulation limited the line-of-sight to beneficiary needs.

Observations and actions agreed

31.   Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are rated as medium or high priority; observations that resulted in low priority actions are not included in this report.

Table 1: Overview of areas in scope, observations and priority of agreed actions	Priority of issues/agreed actions
A: Cooperating Partners (CP) Management	
With the continuing humanitarian crisis in Syria, and activities implemented through CPs (mainly NGOs), their management is a key CO operational activity. The CO had developed a country-specific template for performing CP due diligence, to compensate for a lack of detailed corporate guidelines. The audit noted, however, that due diligence processes: (a) were not fully informed by information gathered during CP shortlisting processes; and (b) did not systematically include certain procedures such as verifying the CPs' offices and facilities, as well as validating whether CP's subcontractors were included in the consolidated UN sanctions list. Exceptions noted during the due diligence of sampled CPs, including red flags and prior performance issues, did not trigger separate follow-up actions.	
CP capacity assessments were primarily carried out at the beginning of the field level agreement (FLA) process. The audit noted that capacity of partners could be enhanced by linking these capacity assessments with strengthening activities and related monitoring through action plans. The new corporate NGO partner capacity assessment tool needed to be operationalized, although some elements of the tool were already considered in the evaluation tools implemented by the CO.	
The CO was actively operating in partnership with a significant number of local charities that may have capacity issues (technical, operational and/or financial) but remain key partners for hard-to-reach areas. There is a need to increase coordination with other key actors engaged in NGO capacity assessments and strengthening programmes to widen the partner base and to support sustainable programme interventions.	
1. CP due diligence, capacity assessment and risk mitigation processes	*Medium*

B: Programme design and delivery	
Multiple operating approaches (cross-line/cross-border), ongoing shifts in accessibility and a highly politicized arena add to the complexity of designing and delivering programmes in Syria. The audit noted partners' appreciation for WFP's lead role in the Food Security sector and Emergency Telecommunications and Logistics clusters. There was close collaboration and coordination with other humanitarian and UN actors in communicating from inside Syria – which proved to be difficult in a location where donors and stakeholders were not present for first-hand information access nor for diplomatic negotiations and interventions to advocate for safeguarding humanitarian space. Other actors started to follow WFP's model, having operated the Whole of Syria approach throughout the crisis, which has permitted quick response to newly accessible locations.	
There were no pipeline breaks during the audit period; when the funding outlook deteriorated in late-2017, the CO implemented caseload reductions and adjustments to the food basket, as outlined in its prioritisation strategy.	
Transition from a t-ICSP (PRRO) to the ICSP was supported by a detailed action plan built on institutional learning, regular use of WFP risk management tools and on external assessments and reviews. The audit noted gaps with regard to: (a) the continuous collection, use and verification of household food insecurity and vulnerability data to ensure accountability of WFP and its partners, and to facilitate selection of the most suitable response strategies as well as effective and coordinated beneficiary management (observation 2); (b) the monitoring and evaluation strategy and system set-up (observation 3); and (c) beneficiary feedback mechanisms, which were only recently approved and had yet to mature to meet corporate standards (observation 4).	
2. Reaching the neediest and advocating for the most suitable response strategy	*High*
3. Monitoring and evaluation	*Medium*
4. Beneficiary feedback mechanisms	*Medium*

32. The four observations of this audit are presented in detail below.

33. Management has agreed to take measures to address the reported observations[7]. An overview of the actions to be tracked by internal audit for implementation, their due dates and their categorization by WFP's risk and control frameworks can be found in Annex A.

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[7] Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

A: Cooperating Partners Management

The audit reviewed CO activities related to CP management, with regard to GFA and livelihood activities including: existence of a partnership strategy; operational effectiveness of controls in identifying, selecting and contracting CPs within the FLA process; definition of roles and responsibilities between the CO and FOs; partnership management during the execution of FLAs; and CP performance evaluation procedures feeding into the subsequent FLA cycles.

In 2017, the Syria CO established a Partnership Strategy to guide the development of strategic and sustainable CO partnerships. The CO also had a dedicated NGO partnerships unit overseeing the lifecycle activities of partnership management. This unit had: (a) put in place standard operating procedures (SOPs) specific to the CP selection process which were reviewed and updated annually; and (b) been carrying out regular, formal and periodic CP due diligence and oversight missions.

Since January 2018, the CO has provided approximately 60 training courses on various topics (for example, warehouse and commodity management, the FLA payment process, capacity building on school feeding activities, and beneficiary targeting) to CPs, including government agencies, in various FOs.

Observation 1	Proposed Agreed Actions [Medium priority]
CP due diligence, capacity assessment and risk mitigation processes	The CO will:
CP due diligence - NGO partnerships in COs should meet the minimum core standards detailed in corporate guidance. This includes COs vetting potential partners against core standards before contracting, and that each new partner is subject to a comprehensive due diligence process.	(i) Update its SOPs and guidelines for CP due diligence activities, including: (a) the roles and responsibilities of various stakeholders to ensure continuity considering staff turnover; and (b) mechanisms to address the gaps noted;
The NGO partnerships unit in the CO was carrying out due diligence for each new CP using a template developed for the Syria response, as there were no detailed corporate guidelines on how to perform CP due diligence procedures following their shortlisting. The due diligence reports sampled during the audit included, among others, sections on: (a) registration information; (b) organisational overview; (c) working experience with other UN agencies; (d) financial/resources information; and (e) online research covering potential inclusion on UN terror and sanctions lists, other donors' sanctions lists, and human rights watch lists, plus social media presence.	(ii) Operationalize the NGO partner capacity tool at the beginning of the FLA process;
The effectiveness of the due diligence processes could be strengthened by addressing the below gaps:	(iii) Develop comprehensive capacity strengthening and risk mitigation action plans for existing CPs; and
• Due diligence reports did not include information already gathered during the shortlisting process. For example, the section on financial/resources did not contain information that should have been disclosed in a CP's audited financial statements. The two activities were not linked to ensure the consistent flow of information throughout the process.	(iv) Increase coordination with other key actors engaged in CP capacity assessment and strengthening programmes to further enlarge the partner base and contribute to the sustainability of programme interventions.
• The process did not include: (i) systematic physical inspection of offices and facilities to confirm legitimacy of representations made by potential partners; (ii) minimum procedures for individual NGO branches in the case of umbrella FLAs; and (iii) verification of subcontractors against the consolidated UN sanctions list.	Due date: 31 December 2019
• Of the sample selected exceptions noted during the due diligence, including red flags and prior performance issues, did not trigger a separate follow-up action (for example increasing the frequency	

of due diligence). For new partners, the audit noted that as of 2018 the CO reduced the validity of due diligence reports to two years, in comparison to every three years for ongoing CPs.

Partner capacity assessments and risk mitigation - Although capacity strengthening of partners was a priority of the CO's Partnership Strategy (September 2017), there was no comprehensive linkage of the: (a) CP capacity assessments; (b) strengthening activities; and (c) related monitoring through action plans. CP capacity assessments were primarily carried out during the FO evaluation of CPs at the beginning of the FLA process. According to corporate guidance, specific risk mitigation measures and capacity strengthening opportunities should be identified after a capacity assessment is completed.

The new corporate NGO partner capacity assessment tool (issued in January 2018) had not been operationalized or used by the CO, although some elements of the tool were already considered in the evaluation tools used by the CO during selection and/or annual appraisal.

23 of the 54 active CPs at the time of the audit were local charities with limited capacity (technical, operational and financial). They remained key partners for hard-to-reach areas. CP technical capacity and geographical coverage for implementing livelihood activities have been recognized as challenges in WFP's scale-up of livelihood activities. While the CO had made efforts to create linkages to livelihood or other early recovery programmes of UN partners, there was a lack of systematic integrated coordination regarding their respective UN cooperating partners.

Underlying causes: Lack of a corporate manual and SOPs detailing the mandatory activities that should be carried out as part of the NGO/CP due diligence process. The UN Partner portal, which includes required due diligence procedures, had not been rolled out within WFP including the Syria CO. Roll-out of the NGO partner capacity assessment tool, introduced in January 2018, was still in progress. Although capacity assessments and strengthening opportunities were considered throughout the partnership cycle, formalizing them within the CP management process had not been considered.

B: Programme Design and Delivery

The audit reviewed the following areas of GFA and livelihood activities: (i) programme design including assessments, identification of risks and opportunities, prioritisation, and targeting; (ii) programme implementation including monitoring and reviews; and (iii) reporting and knowledge management relating to programme activities. As part of the audit field work, GFA distribution sites were visited in Rural Damascus, Homs and Hama; CPs (both for GFA and livelihood activities) were met at their premises for on-site verifications of registration, distribution, reporting and warehouse management activities as well as in WFP's offices for structured interviews.

While the effectiveness of programme implementation and monitoring was assessed by reviewing the implementation arrangements of GFA and livelihood activities under the t-ICSP (PRRO), the review of programme design took a more forward-looking approach also covering recently introduced initiatives. WFP effectively used access opportunities to conduct independent assessments together with the Food Agriculture Organization and the food sector stakeholders. The assessment approach and methodology were shared and coordinated with relevant stakeholders, and assessment results were made publicly available (in WFP's Vulnerability Analysis and Mapping Shop).

During the audit period, WFP was recognised by UN partners and donors as a key player for setting directions, revising its FLAs and implementing via partners a prioritisation based upon needs. WFP's assessment data provided a basis for informed targeting and modality choices. Monitoring and evaluation (M&E) data was noted to have improved. The sampling frame included sex-disaggregated targets for all indicators at design level and M&E coverage became broader with third party monitors (TPMs) employed to cover areas where WFP did not have access. Having for a long period faced challenges to perform M&E activities at household level, a clear post-targeting verification process had been defined for livelihood activities. A significant enhancement to the M&E arrangement was the recent approval by the Government of a beneficiary hotline.

No pipeline breaks occurred during the audit period. When the funding outlook deteriorated in late-2017, the CO implemented caseload reductions and adjustments to the food basket, as outlined in its prioritisation strategy. Other actors started to follow WFP's model, having operated the Whole of Syria approach throughout the crisis, which has permitted quick response to newly accessible locations.

Most partners interviewed during the audit appreciated WFP's lead role in the Food Security sector and Emergency Telecommunications and Logistics clusters. There was close collaboration and coordination with other humanitarian and UN actors in communicating from inside Syria and upholding humanitarian standards – which proved to be difficult in a location where donors and stakeholders were not present for first-hand information access nor for diplomatic negotiations and interventions to advocate for safeguarding humanitarian space.

Observation 2	Proposed Agreed Actions [High priority]
Reaching the neediest and advocating for the most suitable response strategy	
With reduced funding, there is more pressure to decrease GFA assistance compared to previous years. However, at the time of the audit livelihood and/or market-based approaches, as recently approved by WFP's Executive Board in the ICSP, were largely unfunded.	The CO will:
In addition to cost reduction efforts (for example ending air drops and other supply chain cost savings), the CO had adjusted the food basket and enhanced its Beneficiary Selection Tool in 2016 and 2017 (using an A, B, C, D categorization framework). The audit noted that the degree of adoption of the changes to the Beneficiary Selection Tool by CPs varied; Five CPs continued distribution based on the 2016 Beneficiary Selection Tool while the majority had implemented the 2017 tool. Several applied rotation schemes, whereby in the absence of funding to provide assistance to all beneficiaries of targeted categories, beneficiaries were effectively "rotated" to receive assistance at less regular intervals.	(i) Ensure continuous collection of household food insecurity and vulnerability data, as well as other household profile data, for effective targeting as well as for developing joint response plans with key partners. This will include the use of assessment data (potential gaps between households in need and households covered) as a fundraising tool for livelihood and other partners' programmes in cases where households meet criteria to graduate from GFA;

Whilst WFP monitored and reported the number of rations distributed and households reached, there was limited visibility of the degree of rotation and other inclusion/exclusion errors when applied by CPs. The majority of post-distribution monitoring was conducted face-to-face at distribution points, while household-level interviews were often not feasible. The audit noted that, to compensate for these constraints, WFP introduced some post-distribution verification by telephone, but did not have comprehensive, independent verification of beneficiary lists nor means to ensure that individual households registered by CPs met the targeting criteria, and, if so, if they did regularly receive food rations.

CPs interviewed during the audit highlighted that graduating GFA beneficiaries to other forms of assistance was not a sufficient option when reducing GFA caseloads, because the scale-up of livelihood activities had not kept pace with GFA reductions. WFP's efforts to coordinate livelihood activities at scale were limited due to funding constraints as well as the lack of an integrated joint strategy, specifically for Early Recovery and Livelihoods.

A new prioritization strategy and Beneficiary Selection Tool, to be rolled out for the ICSP, have been designed to provide a household vulnerability score based on the level of food insecurity and vulnerability as well as other information that facilitates the determination of intervention fitting the household profile. The CO aims to assess all households by the third quarter of 2019. Recognising the above shortcomings in beneficiary registration and management, aggravated by a context where populations are highly mobile, the CO has also started advocating for targeting to be an ongoing exercise as well as for the need of database and/or systems support.

<u>Underlying causes</u>: Entitlement expectation and pressures on CPs. Beneficiary data held across governorates at CP-level in multiple databases/varying data sets (with varying degrees of WFP access) constraining de-duplication efforts necessary in the Syria context. Volatility and complexity of food security/vulnerability assessments due to internally displaced persons and returnees on the move and rapidly evolving security and market situations. Security and other constraints and restrictions in access for monitoring visits. Lack of multi-year and flexible funding (not only for WFP but also for UN and NGO partners) to adjust response strategies.

(ii) Enhance tools/guidance for communication with affected populations and ensure that WFP positions and approaches are known, to enable the implementation of the new targeting approach. This will facilitate continuous eligibility verifications to avoid rotation and to identify the most suitable response to address household needs;

(iii) Integrate a post-targeting verification process into the GFA cycle to: (a) ensure availability of accurate information regarding households in need and households reached; and (b) verify that entitlements are fully received regularly; and establish the minimum frequency for carrying out these verifications;

(iv) Implement a digital beneficiary information management system in line with WFP corporate standards for data management and protection protocols; and

(v) In establishing the beneficiary information management system, ensure close coordination among partners and other humanitarian/ development stakeholders through a coordinated systems and data management approach.

Due date: 31 December 2019

Observation 3	Proposed Agreed Actions [Medium priority]

Monitoring and evaluation

Since the issuance of its detailed M&E strategy for the PRRO in 2016, the CO faced extensive changes and constraints from a system perspective including: (a) Syria-specific reporting requirements not supported by data structure available in the 'Country Office Tool for Managing (programme operations) Effectively' (COMET); (b) the previously existing issues-tracking database not being maintained after the introduction of the corporately-supported Mobile Data Collection and Analytics (MDCA) tool; and (c) the need to use process monitoring reports for tracking in lieu of an integrated process monitoring system.

With an integrated process monitoring system absent, and a decentralised set-up where FOs are responsible for initiating and tracking corrective measures for M&E findings, there was inconsistent tracking and follow-up of monitoring issues. The M&E issues and action follow-up database was not kept up-to-date with all issues arising from monitoring activities and reports. Current M&E priorities were outlined in the t-ICSP and ICSP with planned

The CO will:

(i) Update the M&E Strategy to reflect the ICSP monitoring and evaluation priorities, given the operational complexity;

(ii) Finalize M&E SOPs to ensure consistent tracking and follow-up of monitoring issues and to make sure that these cater for quality enhancements (including for example CP warehouse spot checks) that can be expected with increased access; and

activities listed in the Monitoring, Review and Evaluation Plan. At the time of the audit, the CO was updating its strategy in the use of TPM and had drafted detailed M&E SOPs pending review and approval.

The quality of reports and submissions through MDCA produced by the TPM was not as good as those from WFP's own field monitors, indicating the need for more guidance and/or stricter contract management.

With increasing access, M&E and assessment data should not only help to inform shifts in modality choices and/or in diversifying interventions that fit household profiles, but also to enhance the quality of GFA activities to adjust to the Syrian ex-middle-income country context and to meet the needs of the neediest. The audit noted that, while WFP addressed some feedback on the food basket (for example decommissioning of green peas), it could do more to consistently cater to the needs of persons with disabilities through inclusive and dignified programming within the Accountability to Affected Populations framework[8].

There was still heavy reliance on data reported by CPs on inventory stock-levels; although stocks at CP warehouses were verified by end-of-year physical inventory and certified by the FO, they were not regularly verified through spot checks. With increasing access, inventory data should be subject to more regular reviews.

Underlying causes: Multiple operating approaches (cross-line/cross-border), ongoing shifts in accessibility and a highly politicised operating environment resulting in a complicated M&E set-up. Corporate monitoring systems infrastructure inadequate (refer to recent audits on Monitoring[9] and COMET[10]) and delays in defining the corporate results framework constrained the CO in finalising logframes with revised indicators resulting in the CO's inability to fully integrate data collection and reporting systems. Changing expectations on monitoring quality and results as a consequence of recent improvement in access not yet fully addressed. Reliance on a single TPM service provider for inside Syria not allowing for pressure on service provider performance.

(iii)   Enhance performance management of TPM service providers, by increasing competition and accompanying the Scope of Work with an SOP and briefings on the key areas of the SOP.

Due date: 31 May 2019.

Refer to audit reports AR/18/11 and AR/19/02 for actions to be taken at corporate level with regard to monitoring systems.

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[8] Accountability to Affected Populations Guidance Manual, January 2017.

[9] AR/18/11 Internal Audit of Monitoring in WFP, October 2018.

[10] AR/19/02 Internal Audit of the Development and Delivery of COMET, January 2019.

Observation 4	Proposed Agreed Actions [Medium priority]

Beneficiary feedback mechanisms

The CO established a Protection from Sexual Exploitation and Abuse (PSEA) hotline in March 2018, and in November 2018 the Government approved the CO's request to establish another mechanism to receive all other types of beneficiary complaints and feedback (CFM). The existing PSEA hotline was benchmarked against the minimum corporate guidelines of a CFM and the following gaps were noted:

(i) There was a need to finalize the SOPs in place to govern the management of the PSEA hotline. At the time of the audit, mechanisms to ensure confidentiality of the complaints received by WFP staff were lacking – staff had not signed non-disclosure agreements nor been trained on how to manage the hotline accordingly.

(ii) The spreadsheet used to capture complaints had not been designed to capture the minimum data required by corporate guidelines and had only one encryption layer that could easily be compromised.

(iii) The establishment of feedback channels was not designed in consultation with the affected populations to reflect their preferences and culture in dealing with grievances due to access and security constraints. The dedicated email address to receive complaints on sexual exploitation and abuse was never used in the first few months following the rollout; instead, beneficiaries preferred to use a messaging application as opposed to making calls.

(iv) Trusted protection actors, as well as their services to address protection issues (e.g. clinical, legal, psychosocial, and security), were not mapped out.

(v) Despite the CO's efforts to introduce the PSEA hotline and display posters at final distribution points, all beneficiaries sampled at these points stated that they were not aware of the existence of the PSEA hotline.

(vi) There was limited coordination with partners to reduce the potential for duplication in their respective CFM design.

Underlying causes: PSEA hotline was approved by the Government in early 2018 and implementation was still in progress at the time of the audit. Access and security issues at the beginning of the year restricted proper consultation with affected populations.

The CO will:

(i) Finalize SOPs for the management of the CFMs including: (a) escalation and referral of critical issues; (b) mechanisms to secure confidentiality of complaints received; and (c) reporting back to beneficiaries on the status or resolution of complaints;

(ii) Align the existing database with the minimum data requirements of corporate guidelines; and

(iii) Carry out beneficiary sensitization on available CFM hotlines in place.

Due date: 31 October 2019

Annex A – Summary 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.

	High priority observation	**Categories for aggregation and analysis**			**Implementation lead**	**Due date**
		WFP's Internal Control Framework	**WFP's Enterprise Risk Management Framework**	**WFP's Internal Audit Universe**		
2	Reaching the neediest and advocating for the most suitable response strategy	Control Activities	Programme	Activity/project management	Syria CO	31 December 2019
	Medium priority observations					
1	CP due diligence, capacity assessment and risk mitigation processes	Control Activities	Partners and vendors	NGO partnerships	Syria CO	31 December 2019
3	Monitoring and evaluation	Monitoring Activities	Programme	Monitoring & evaluation	Syria CO	31 May 2019
4	Beneficiary feedback mechanisms	Information and Communication	Beneficiary health, safety and security	Beneficiary management	Syria CO	31 October 2019

Annex B – Definitions of audit terms: ratings & priority

1   Rating system

1.   The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below:

Table B.1: Rating system

Rating	Definition
Effective / Satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well to provide reasonable assurance that issues identified by the audit were unlikely to 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 needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to 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   Categorization of audit observations and priority of agreed actions

2.1   Priority

2.   Audit observations are categorized according to the priority of the agreed actions, which serves as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Table B.2: Priority of agreed actions

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

3.   Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

4.   Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.[11]

5.   To facilitate analysis and aggregation, observations are mapped to different categories:

2.2   Categorization by WFP's Internal Control Framework (ICF)

6.   WFP's ICF follows principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Integrated ICF, adapted to meet WFP's operational environment and structure. 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."[12] WFP recognizes 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 B.3: Interrelated Components of Internal Control recognized by WFP

1	Control Environment	The 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 the systems' performance over time and to ensure that internal control continues to operate effectively.

2.3   Categorization by WFP's Enterprise Risk Management Framework

7.   WFP has developed a risk categorization framework to assist management at all levels as well as to improve risk analysis. The framework enables offices and operations to identify risks using a common language across WFP. Risks are classified into four primary categories: strategic, operational, fiduciary and financial. Reputational risk is defined as a consequential risk whereby risks occurring in any category could have a negative impact on WFP's reputation. Within these four categories, 15 risk areas covering the scope of WFP's enterprise risk management have been defined.

Table B.4: WFP's new Risk Categorization recognizes 4 risk categories and 15 types of risk

1	Strategic	1.1 Programme risks, 1.2 External relationship risks, 1.3 Contextual risks, 1.4 Failure to innovate/adjust business model
2	Operational	2.1 Beneficiary health, safety & security risks, 2.2 Employee health, safety & security risks, 2.3 Partner & vendor risks, 2.4 Asset risks, 2.5 ICT failure/disruption/attack, 2.6 Business process risks, 2.7 Governance & oversight breakdown

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[11] An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

[12] OED 2015/016 para.7

3	Fiduciary	3.1 Breach of obligations, 3.2 Fraud & corruption
4	Financial	4.1 Adverse price/cost change, 4.2 Adverse asset outcome

2.4   Categorization by WFP's Audit Universe

8.   WFP's audit universe[13] covers organizational entities and processes. Mapping audit observations to themes and process areas of WFP's audit universe helps prioritize thematic audits.

Table B.5: WFP's 2018 Audit Universe (themes and process areas)

A	Governance	Change, reform and innovation; Governance; Integrity and ethics; Legal support and advice; Management oversight; Performance management; Risk management; Strategic management and objective setting.
B	Delivery	(Agricultural) Market support; Analysis, assessment and monitoring activities; Asset creation and livelihood support; Climate and disaster risk reduction; Emergencies and transitions; Emergency preparedness and support response; Malnutrition prevention; Nutrition treatment; School meals; Service provision and platform activities; Social protection and safety nets; South-south and triangular cooperation; Technical assistance and country capacity strengthening services.
C	Resource Management	Asset management; Budget management; Contributions and donor funding management; Facilities management and services; Financial management; Fundraising strategy; Human resources management; Payroll management; Protocol management; Resources allocation and financing; Staff wellness; Travel management; Treasury management.
D	Support Functions	Beneficiary management; CBT; Commodity management; Common services; Constructions; Food quality and standards management; Insurance; Operational risk; Overseas and landside transport; Procurement – Food; Procurement - Goods and services; Security and continuation of operations; Shipping - sea transport; Warehouse management.
E	External Relations, Partnerships & Advocacy	Board and external relations management, Cluster management, Communications and advocacy, Host government relations, Inter-agency coordination, NGO partnerships, Private sector (donor) relations, Public sector (donor) relations.
F	ICT	Information technology governance and strategic planning; IT Enterprise Architecture; Selection/development and implementation of IT projects; Cybersecurity; Security administration/controls over core application systems; Network and communication infrastructures; Non-expendable ICT assets; IT support services; IT disaster recovery; Support for Business Continuity Management.
G	Cross-cutting	Activity/project management, Knowledge and information management, Monitoring and Evaluation (M&E) framework, Gender, Protection, Environmental management.

3. 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 to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

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[13] A separate universe exists for information technology with 60 entities, processes and applications.

Annex C – Acronyms

CFM	Complaints and feedback mechanism
CO	Country Office
COMET	Country Office Tool for Managing Programme Operations Effectively
CP	Cooperating partner
FLA	Field level agreement
FO	Field office
GFA	General food assistance
ICSP	Interim Country Strategic Plan
ICT	Internal Control Framework
M&E	Monitoring and evaluation
MDCA	Mobile Data Collection and Analytics tool
NGO	Non-governmental organisation
OIGA	Office of Internal Audit
PRRO	Protracted Relief and Recovery Operation
PSEA	Protection from sexual exploitation and abuse
SARC	Syrian Arab Red Crescent
SOP	Standard operating procedure
t-ICSP	Transitional Interim Country Strategic Plan
TPM	Third-party monitor
UN	United Nations
UNHCR	UN High Commissioner for Refugees
UNSF	UN Strategic Framework
WFP	World Food Programme