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# Internal Audit of WFP Operations in Sudan

Office of the Inspector General  
Internal Audit Report AR/19/14



World Food  
Programme

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# Internal Audit of WFP operations in Sudan

## I. Executive Summary

### WFP Sudan Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Sudan that focused on the period 1 January 2018 to 28 February 2019. Expenditures in Sudan totalled USD 249 million in 2018, representing approximately 4 percent of WFP's total direct expenses for that year. The audit team conducted the fieldwork in two phases: the first from 31 March to 12 April 2019 at the country office premises in Khartoum and through onsite visits to area/sub-offices in El Geneina, Zalingei, Nyala and Port Sudan; and the second, given political instability in Sudan, from WFP headquarters in Rome from 15 April to 2 May 2019. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.
2. Since December 2018 popular demonstrations have taken place across Sudan, including in the greater Khartoum area, due in part to high inflation rates and economic distress. Sudan continues to experience shortages of bread, fuel, essential medicines and cash, affecting basic livelihoods and food security. In April 2019 a Transitional Military Council was established which took over control of the country from the previous government. Public discontent and protests have persisted.
3. WFP has over recent years adapted its portfolio of operations in Sudan to life-changing interventions whilst maintaining life-saving activities and a strong emergency-response capacity. WFP's Interim Country Strategic Plan for Sudan, which covered the period from July 2017 to December 2018, aimed to achieve six strategic outcomes: four focused on Sustainable Development Goal 2; and two on Sustainable Development Goal 17<sup>1</sup>. The plan, which comprised 15 activities, was aligned with the work of United Nations and non-governmental partners, and included provision of common services for the humanitarian community to support implementation of the 2030 Agenda.
4. Beginning in January 2019, WFP started the implementation of its five-year Country Strategic Plan, focused on four interlinked strategic objectives guided by the Sustainable Development Goals.

### Audit conclusions and key results

5. 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 objective of the audited entity/area should be achieved. Issues 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.
6. The audit report contains one high and seven medium priority observations, four of which have agreed actions directed at a corporate level.
7. WFP in Sudan is recognised as a leading actor in the humanitarian sector and has developed effective relationships and partnerships with various governmental and non-governmental entities. In an operation facing funding shortages, the country office carried out a profiling exercise of internally displaced people in Darfur; this enabled it to shift the level and type of support to only the most vulnerable displaced communities, and to the most vulnerable households within those communities.
8. The country office has continued to develop its strategic partnership with the Government and to strengthen the institutional capacity of the National Grain Reserve managed by the Agricultural Bank of Sudan. Some food purchases in 2018 from the public sector required waivers from competitive tendering; the audit noted that some activities required to substantiate the basis of these waivers, which were designed to ensure proper monitoring of WFP's capacity strengthening interventions, were not carried out. The audit also noted repeated failures of local public and private food suppliers to meet agreed quantity and quality requirements for sorghum purchases; although these defaults were caused by a range of factors, some were within the control of the country office and were not adequately addressed. Internal controls over the performance of inspection companies needed to be strengthened.

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<sup>1</sup> For details of the Sustainable Development Goals see <https://sustainabledevelopment.un.org>

9. Delays were also noted in the procurement of non-food items and services, particularly the construction of a logistics hub and the engagement of third-party monitoring services. The process from floating tenders to the signing of agreements for these activities took between six and ten months to complete. The oversight function of the country office's Procurement Contracts Committee during the audit period did not allow for in-depth reviews of food and non-food procurement details and actions.

10. A country office staffing and structure review was completed in June 2018 to prepare for implementation of the 2019 Country Strategic Plan. There were delays in implementing the proposed actions of the review, and the demands of recruiting for a high number of vacant positions have challenged the capacity of the human resources unit. The country office also experienced difficulties in attracting and retaining staff for international staff positions in Khartoum, presenting a risk to the continuity of key operational activities. This affected the retention of institutional knowledge within the country office and was one of the underlying causes of audit observations in other areas.

11. There was lack of coordination between the country and area offices regarding cooperating partnership management practices. Performance evaluations of some cooperating partners were focused on individual field level agreements without reviewing overall performance at the country office level. In addition, there were no standard procedures to ensure coordination between programme monitoring and beneficiary complaints and feedback mechanism activities at area and country office levels.

### Actions agreed

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

13. 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

### Sudan

14. Sudan is classified as a lower-middle-income country and was ranked 167 from 188 countries in the Human Development Index for 2018<sup>2</sup>. The recent partial lifting of economic sanctions coupled with a reduction in the number of new internally displaced people provided a foundation for a shift from humanitarian interventions to assistance based on the nexus between humanitarian assistance, development and peacebuilding<sup>3</sup>.

15. The country still faces challenges: political and macroeconomic instability, areas of protracted crisis and new emergencies, structural inequalities, and high levels of malnutrition and food insecurity. A 2013 International Monetary Fund Report highlighted that, when South Sudan seceded in 2011, Sudan's gross domestic product (GDP) contracted significantly as a result of an estimated 75 percent drop in government oil revenues. Sudan has consequently experienced significant budget deficits and has accumulated an external debt of USD 50 billion, 61 percent of GDP.

16. Two thirds of the population live in rural areas, where the poverty rate is 57 percent according to the Sudan Central Bureau of Statistics - the national average is 46 percent. The agricultural sector contributes a third of GDP and employs 80 percent of the labour force. It exhibits low productivity due to poor farming practices, major post-harvest losses and the disruption of agricultural activities by insecurity. Sudan ranked 139 from 159 countries in the 2017 Gender Inequality Index. Gender inequalities, resulting mainly in disadvantages for women and girls, are a significant impediment to social and economic development.

17. Since late 2017 Sudan has experienced an elevated degree of economic instability, public discontent and violent protests. The monetization of fiscal deficits, loose monetary policy, devaluation of the Sudanese pound, reduction of fuel subsidies and the elimination of wheat subsidies have contributed to rapid inflation. In addition, the capacity of government institutions to tackle emerging challenges of economic instability, climate variability and conflict is limited. In April 2019 a Transitional Military Council was established after the previous government's former president was ousted.

### WFP operations in Sudan

18. In view of the continuing challenges in Sudan, WFP has adapted its portfolio to life-changing interventions whilst maintaining life-saving activities and a strong emergency-response capacity. The facilitation of self-reliance is intended to reduce humanitarian needs and to address the root causes of malnutrition and the sustainability of food systems, making a significant contribution to the achievement of Sustainable Development Goal (SDG) 2. Capacity strengthening for the Government lays the foundation for an eventual handover of interventions.

19. The Interim Country Strategic Plan (ICSP) from July 2017 to December 2018 considered alignment with the work of UN and non-governmental partners, including provision of common services for the humanitarian community. Through the ICSP, WFP aimed to achieve six strategic outcomes (four focused on SDG 2 and two on SDG 17) by carrying out 15 activities.

20. In January 2019, WFP started the implementation of its five-year Country Strategic Plan (CSP), focused on four interlinked strategic objectives (SOs) guided by the SDGs: (i) Responding to new and protracted emergencies, ensuring that humanitarian programmes are strategically linked to development and peacebuilding; (ii) Reducing malnutrition and its root causes; (iii) Strengthening the resilience of food-insecure households and food systems; and (iv) Strengthening systems and structures for the provision of humanitarian and development common services in the country.

21. To implement the CSP, the country office (CO) intends to expand from 1,100 employees to 1,350, 90 percent of whom will be recruited locally. Approximately 70 percent of the workforce will continue to be based in field offices, but the geographical distribution of staff across the country will be realigned to fit the CSP's programmatic priorities. The high-level organizational structure of the office will remain largely the same, with the only significant change being the decentralization of the Central, Eastern, and Two Areas (CETA) area office (AO), which has always been located in Khartoum, but which will now be split into two new AOs, one in El Obeid and the other in Kassala. The AOs oversee the implementation of activities in North, West, South and East Darfur and transitional areas in the central and eastern regions, under the overall supervision of the CO.

<sup>2</sup> Source: UNDP Development Index (2018)

<sup>3</sup> Source: The Sudan Country Strategic Plan (2019-2023)

## Objective and scope of the audit

22. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to WFP operations in Sudan. 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 scope of the audit, determined through an audit risk assessment, reviewed high and medium-priority rated processes and associated key controls within the areas of governance, resource management, programme delivery, support functions, partnership and advocacy as well as cross-cutting aspects. The audit covered the period from 1 January 2018 to 28 February 2019; where necessary, transactions and events pertaining to other periods were reviewed. The audit did not review information and communication technology, as the Sudan CO was included in the sample for a recent thematic audit in this area<sup>4</sup>.

25. The first phase of audit fieldwork took place from 31 March to 12 April 2019 at the CO premises in Khartoum and through visits to AOs in El Geneina (including the Zalingei sub-office), Nyala and Port Sudan. The second phase, from 15 April to 2 May 2019, was carried out from Rome in liaison with relevant focal points from selected WFP headquarters units and the Sudan CO.

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<sup>4</sup> Report number AR/19/10 "ICT in Country Offices".

## III. Results of the Audit

### Audit work and conclusions

26. Taking into account the CO's risk register, findings of WFP's second line of defence functions, as well as the independent audit risk assessment, the audit work was tailored to the country context and to the objectives set by the CO.

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**<sup>5</sup>. 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. Issues 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.

28. The Office of Internal Audit, in supporting WFP's management's efforts in the areas of gender and provision by management of assurance on CO internal controls, separately reports its assessments or gaps identified in both areas.

### Gender maturity

29. From a gender perspective, the cultural context in which the CO operates is complex, and limitations have an impact on achievement of the CO's objectives and targets. At an organizational level, the overall low representation of women in the CO is partly counter-balanced by the occupation of several managerial roles by mostly international female staff. In addition, the CO was implementing focused recruitment initiatives to reach a wider national female audience and to achieve gender parity. At a programmatic level, the CO has integrated gender requirements into programme design and monitoring.

### Annual assurance statement

30. WFP uses first-line management certifications whereby all directors, including country and regional directors, must confirm through annual assurance statements whether the system of internal controls, for the entity they are responsible for, is operating effectively. At a consolidated level the assurance statements are intended to provide a transparent and accountable report on the effectiveness of WFP's internal controls. The audit reviewed the annual assurance statement for 2018 completed by the Sudan CO and compared the assertions in the statement with the findings of the audit.

31. The review indicated that CO management did not report any significant gaps in the design, implementation and operating effectiveness of internal controls. In general, the findings of the audit did not highlight any material deviation from this view except for an observation on procurement (observation 6) with associated high-priority agreed actions.

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<sup>5</sup> See Annex B for definitions of audit terms.

## Observations and actions agreed

32. Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are classified according to the areas in scope established for the audit and 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

		Priority of issues/agreed actions
<b>A: Governance and structure</b>		
1. Governance and risk management associated with CBT interventions		Medium
<b>B: Delivery</b>		
2. CO's use of SCOPE		Medium
3. Cooperating partnership management		Medium
4. Monitoring		Medium
<b>C: Resource management</b>		
5. Human Resources		Medium
<b>D: Support functions</b>		
6. Procurement		High
7. CBT reconciliation process and management of paper vouchers		Medium
8. Data quality in the Fleet Management System		Medium

33. The eight observations of this audit are presented in detail below.

34. Management has agreed to take measures to address the reported observations<sup>6</sup>. 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.

<sup>6</sup> Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.



## A: Governance and structure

35. The audit reviewed CO activities related to cash-based transfers (CBT) governance and delivery including: the oversight role of the CBT working group; allocation of responsibilities between WFP, financial service providers (FSPs), and cooperating partners (CPs); issuance, distribution, and reconciliation of CBT payment instruments (for example, prepaid cards and paper and electronic vouchers); and contracting of retailers and the related due diligence, monitoring and performance evaluation activities.

36. In 2018, CBT operations in Sudan accounted for 14 percent of the CSP budget (with a transfer value of USD 25.4 million) and used multiple delivery mechanisms such as cash accounts, immediate cash, and paper and e-vouchers. CBT support has been provided mainly through restricted cash (value vouchers comprising 77 percent of total CBT transfer value) with 154 contracted retailers across the country. Vouchers have been complemented by unrestricted cash through cash account and immediate cash modalities (23 percent of total CBT transfer value), allowing beneficiaries to redeem their assistance by cashing out their entitlements with FSPs.

### Observation 1: Governance and risk management associated with CBT interventions

#### *CBT Working Group (WG)*

37. The CBT WG is the governance committee which reviews and adopts key decisions related to CBT operations. The audit noted that the CBT WG terms of reference (ToR) had not been approved by CO management, and did not include sections on risk management, the internal control framework, and fraud prevention. Minutes of meetings reviewed reflected no discussions on legal, reputational, fraud or compliance risks associated with the CO's CBT operations. In addition, the WG did not meet regularly in 2018, although the frequency of meeting increased in the first quarter of 2019.

#### *CBT standard operating procedures (SOPs)*

38. CBT SOPs had not been updated since 2015 and, as such, changes in CBT operations and the CO environment, lessons from program implementation, and latest corporate requirements were not reflected. Multi-sectorial assessments had not been completed for all functions.

39. The CO had in place different distribution modalities and delivery mechanisms for CBT interventions, but had not carried out an ex-post cost efficiency and cost effectiveness analysis to evaluate the appropriateness of chosen modalities. Building on the results of the ex-ante analysis conducted at the start of the operation, the purpose of an ex-post analysis is to verify initial assumptions, to examine actual project costs and data collected from monitoring, as well as to validate whether objectives have been achieved. Headquarters recently introduced corporate guidance (November 2018) on how to conduct cost-effectiveness comparisons between transfer modalities.

#### *FSP Financial Guarantee*

40. The Micro Financial Assessment (MiFA) provides detailed information on an FSP's financial health and helps to identify associated financial risks, and also determines the FSP profile and the required amount of financial guarantee. Although a MiFA was drafted for a bank engaged as an FSP, there were no indications that it was reviewed by RB/HQ and finalized. The financial guarantee obtained, amounting to USD 100,000, was in the form of a security deposit which was credited to WFP's account held with the same FSP, thus not mitigating the risk of default/third party risk; this may prevent WFP from recovering the guarantee in the event that the FSP fails.

Underlying cause(s): Focus on other CBT operational activities. Lack of awareness of CBT corporate requirements. Lack of clarity of the corporate guidance. The risk exposure of non-collection of the guarantee was not assessed.

#### **Agreed Actions** [Medium priority]

The CO will:

- (i) Update and finalize the CBT WG ToR.
- (ii) Update CBT SOPs for the different delivery mechanisms.
- (iii) Complete and update the sectorial assessments for all functional areas.
- (iv) Carry out an ex-post cost efficiency and effectiveness analysis in line with recently introduced corporate guidance.
- (v) Finalize the existing MiFA and reassess the appropriateness of the FSP's financial guarantee.
- (vi) Evaluate other deposit arrangements for the FSP's financial guarantee to ensure recovery.

#### **Timeline for implementation**

30 June 2020

## B: Delivery

41. The audit performed tests and reviews on various aspects of programme delivery including: the effectiveness of beneficiary verification and validation; prioritization of activities; management of CPs; targeting, prioritization and registration of beneficiaries; and coordination with government counterparts.

42. The CO had recently implemented some strategic changes aimed at streamlining CP management. This came after the CO's transition to WFP's Integrated Road Map (IRM) which challenged existing practices and increased the CP management unit workload.

### Observation 2: Country Office's use of SCOPE

43. SCOPE is WFP's beneficiary information and transfer management digital platform. During the audit period, the Sudan CO scaled up the use of SCOPE for beneficiary management and programme delivery. The caseload of registered beneficiaries in SCOPE more than doubled, from approximately 1 million at the end of 2017 to 2.4 million at the time of the audit. Although most of the SCOPE-registered beneficiaries were assisted through CBT programmes, the CO was planning to also register beneficiaries assisted via general food distribution activities. The audit noted the following issues regarding SCOPE:

#### *Ineligible and inactive SCOPE Users*

44. Cross-checking the list of active users in SCOPE with the list of CO employees from WFP's enterprise resource planning system (WINGS), it was observed that 22 of 131 active credentials required deactivation as active users had left WFP; active users were no longer assigned to the Sudan CO; or temporary accesses granted had never been deactivated. Moreover, the audit observed that five eligible active users never logged into SCOPE in 2018; as such these users may no longer require access and automatic deactivation may be considered as a default preventive control in SCOPE.

#### *SCOPE Segregation of Duties (SoD)*

45. Comparing the CO user list and associated roles with the official SoD matrix provided by the corporate SCOPE Service Desk, the audit noted that 68 out of 131 users had two or more incompatible roles. In two cases, critical roles were assigned to the same users: "payment list verifier" and "payment list approver". In addition, the list of CO SCOPE users included associated roles that were not included in the SoD matrix; it was not possible to establish whether breaches in SoD occurred for these roles. This required further corporate attention to clarify.

#### *Establishment of a secured data transfer mechanism*

46. A secured mechanism for data exchange between WFP, FSPs and CPs had not been used. Emails and Excel attachments were commonly used to transfer data amongst WFP offices and third parties (FSP & CPs), with no encryption in place. The CO was already in discussion with HQ on rolling out a secure file transfer mechanism to be used for beneficiary data exchange with FSPs. However, the implementation timeline was not clear at the time of the audit. The existing plan did not cover data exchanges amongst WFP offices and with CPs. This required corporate attention to further define acceptable security standards for data exchange outside SCOPE.

Underlying cause(s): Periodic manual account management through quarterly reviews of user accounts not recently carried out (last three reviews conducted in February 2018, October 2017 and November 2016). Users in Sudan CO not mapped to the official SCOPE SoD matrix. Integration with banking systems not allowed by national regulators in Sudan constraining an automated mechanism of beneficiary data and payment instruction exchange.

#### **Agreed Actions** [Medium priority]

(a) The CO will:

- (i) Review the SCOPE user list each quarter and deactivate users that are no longer connected to Sudan CO or which have been inactive for more than six months.
- (ii) Map all SCOPE users against the corporate SoD matrix, highlight any inconsistencies, and take corrective actions. The CO finance unit will be assigned a "certifying" role on all future requests for SCOPE user access to ensure compliance with the SoD matrix.
- (iii) In collaboration with the Information Technology Beneficiary Service branch (TECB) and RMFB, identify and roll out the applicable secured data exchange mechanism between WFP, FSPs and CPs.

- (b) TECB will review the list of CO roles against the SoD matrix to ensure consistency.

**Timelines for implementation**

- (a) 30 September 2019  
(b) 31 December 2019

**Observation 3: Cooperating partnership management**

47. The Sudan CO developed SOPs in 2017 to provide guidance on the management of CPs and related field level agreements (FLAs). The SOPs allowed AOs to select CPs and approve FLAs with oversight and technical endorsement from relevant CO units. Eligibility and preference criteria were identified for the initial evaluation of partners, and regular performance evaluation processes were also established for ongoing partnerships.

*Timeliness of Purchase Order Distribution Agreement (PODA)*

48. Delays were observed in the 2018 FLA process which affected programmes by either delaying activities or by forcing CPs to advance their own funds. Of 20 FLA agreements reviewed, 19 were signed after the project start date and had an average delay of three months for agreements starting in January 2018. This resulted in delayed release of PODAs and payments to CPs. The CO indicated that, as one of the IRM pilot countries, both a protracted relief and recovery operation (PRRO 200808) and the ICSP were implemented in parallel the first half of 2018, which complicated the FLA process.

49. To address this issue, the CO consolidated its existing partnerships, reducing the number of CPs and FLAs in 2019. Based on the CO's FLA tracking sheet, agreements starting 1 January 2019 were signed within the month of January.

*Cooperating partner assessment*

50. CP due diligence appraisals were limited to vetting potential partners against sanction lists and did not cover the full range of criteria established in the 2017 SOPs. Performance evaluations of some partnerships were not carried out; for those that were completed, the assessments were focused on single FLA execution without reviewing CP's overall performance.

Underlying cause(s): Increased number of FLAs due to parallel implementation of PRRO and ICSP in 2018 as part of the CO's transition to the IRM. Insufficient coordination of CP management practices between AOs and the CO FLA unit. Evaluations decentralized at AO-level with no consolidation exercise on CP overall performance at the CO level.

**Agreed Actions** [Medium priority]

The CO will update and finalize SOPs on CP management including guidance on: (a) due diligence and review of CP overall performance; and (b) strengthening coordination among AOs, relevant CO units and the FLA unit.

**Timeline for implementation**

30 November 2019

**Observation 4: Monitoring**

51. The audit noted the following gaps in the CO's monitoring of programme activities.

*Process monitoring*

52. AO process monitoring was not systematic, and reports were missing for several months from the first three quarters of 2018. Third party monitoring (TPM) only started in September 2018, which resulted in: (a) constraints in fully adhering to the CO's strategic monitoring plan; and (b) some limitations in programme monitoring.

53. There was a lack of a central repository for consolidating information gathered by AOs. Issues identified during monitoring activities were recorded and consolidated in a dashboard. The auditors' review of the dashboard highlighted that: (a) there was a lack of risk categorization and prioritization of monitoring issues; and (b) follow-up of issues was not systematic prior to October 2018.

*Complaints and feedback mechanisms (CFMs)*

54. There were gaps in the coverage of the CO's existing CFMs. Some geographic areas were not reached while some activities had not implemented a CFM. One of the main channels used by the CO, community help desks alongside distribution activities, did not ensure confidentiality of beneficiaries and/or directly involved community leaders who may potentially have had conflicts of interest when treating complaints. Appropriate and systematic processing and reporting of complaints had not been established during the audit period.

*Outcome monitoring*

55. Outcome monitoring of strategic outcomes 1 and 2 was based on Vulnerability Assessment Mapping (VAM) sampling requirements and was not in line with the corporate monitoring guidance.

Underlying cause(s): Delays in contracting TPMs and in procuring tablets for field monitors (*see agreed action under observation 6 regarding procurement*). Turnover in key positions in the monitoring and evaluation (M&E) unit creating gaps in continuity of activities (*see agreed action under observation 5 regarding HR*). Unclear functional reporting of AOs to the M&E unit affecting CO capacity to establish requirements and harmonize approaches at AO level. Lack of an SOP establishing the coordination between monitoring and CFM activities at AO level and CO units. Lack of alignment with corporate Minimum Monitoring Requirements. Tracking of issues not comprehensive.

**Agreed Actions** [Medium priority]

The CO will:

- (i) Develop an SOP on coordination between AOs and the M&E unit, including the functional reporting of M&E staff in the field to the CO head of M&E.
- (ii) Review the CFM SOP ensuring coverage of all geographic and thematic areas, appropriate reporting channels, and coordination between AOs and the CO programmes unit.
- (iii) Carry out training on Minimum Monitoring Requirements to increase AO awareness and guide in the definition of monitoring plans and activities.
- (iv) Revise the existing dashboard to include a risk rating for each issue and deadlines for follow-up.

**Timeline for implementation**

31 December 2019

## C: Resource management

56. The audit performed tests and reviews of financial and resource management including: the resource mobilization strategy and donor relations; human resources management including recruitment and training; and finance and administration.

57. Donors met during the audit were positive about the effectiveness of CO programme delivery and the constructive consultation carried out with the CO as part of the IRM strategic review. They also highlighted that project reporting and management of cooperating partners should be further strengthened.

### Observation 5: Human Resources

58. A staffing and structure review (SSR) was completed in June 2018 to prepare the CO for the implementation of the CSP. The final report issued in June 2018 proposed to revise the CO organizational structure in two phases – the first phase to be initiated upon issuance of the final SSR report, and the second phase 18 months later.

#### *SSR implementation delays*

59. The audit noted that the first batch of vacancy announcements for new positions resulting from the SSR was published in December 2018, almost six months after the final SSR report was released. Following this delay it was further noted that the original implementation timeline had not been formally reassessed and revised.

60. Recruitment was centralized at the CO office in Khartoum. However, the CO HR unit's capacity was challenged with about 90 planned recruitments under the first phase, in addition to the normal workload of the unit.

#### *Difficulties in filling and retaining key CO positions*

61. The CO experienced difficulties in attracting and retaining staff for key positions due to: (a) the unattractiveness of Khartoum as a duty station for international staff; and (b) frequent requests for CO staff to be sent on temporary postings to emergency operations. At the time of the audit, 20 (23 percent) of 87 international staff positions in Khartoum were vacant. Of the 20 vacant positions, five positions were temporarily filled by consultants/short-term professionals and seven were under recruitment. This issue represented a risk to the continuity of key activities such as the delayed implementation of the SSR and the gaps noted in programme monitoring activities (see observation 4). It also affected the retention of institutional knowledge within the CO.

#### *Non-standardized handover practices*

62. The audit noted a lack of consistency in the preparation of handover notes. Various formats of documents were used depending upon employees' preferences. This represented a risk particularly given the high turn-over rate in key positions.

Underlying cause(s): CO HR positions (HR head and officer) critical to the SSR implementation remained vacant for most of the second half of 2018 which negatively impacted on the timeframes and planning of the SSR implementation. The high cost of living as well as the difficult living conditions for families in Khartoum are not recognized by the entitlements attached to the duty station through the common system. Handover note template not introduced.

#### **Agreed Actions** [Medium priority]

- (a) The CO will:
  - (i) Consider managing the SSR implementation as a special project and allocating resources for a dedicated team.
  - (ii) Reassess milestones for implementation of the SSR and revise the SSR work plan.
  - (iii) Include the link for the handover template in the standard email sent to staff who are leaving the CO.
- (b) The HR Talent Deployment and Career Management Branch (HRMTD) will identify causes for the lack of reassignment applicants and formulate proposals to increase the number of viable candidates.

#### **Timelines for implementation**

- (a) 31 December 2019
- (b) 30 June 2020

## D: Support functions

63. The audit performed tests and reviews of the CO's support functions including: management of transport including shipping and CO fleet; warehouse and commodity management; procurement of food and non-food items; management of cash-based transfers and security management at both the CO, Area and Sub Offices.

### Observation 6: Procurement

#### *Food Procurement*

64. As Sudan generally produces a surplus of sorghum, the CO has played a key role in procuring this commodity from both the private and public sectors on behalf of other WFP operations, in addition to sourcing it for local consumption. Sorghum was previously sourced from the private sector and then from the Government National Grain Reserve (NGR) managed by the Agricultural Bank of Sudan (ABS). In line with the ICSP, the Sudan CO continues to develop its strategic partnership with the Government including strengthening of institutional capacity and enhancing market capacities of local food suppliers.

65. In 2018, the CO sought approval for two waivers from competitive tendering from HQ Supply Chain for the procurement of sorghum from the Government. The waivers granted indicated that: (i) the CO included a review of the National Grain Reserve as one of the ICSP focus areas; and (ii) the Agricultural Bank of Sudan agreed to share records on loans granted to farmers to enable WFP to report the extent to which producers were benefiting from the increase in structured demand. However, there were no indications that a formal review was carried out or that records of loans were shared, in line with the justifications of the waivers. There were no activities carried out to assess and monitor the impact of WFP's capacity strengthening interventions.

66. In addition, the audit noted recurrent failure of suppliers to meet the agreed quantity and quality requirements for sorghum, which the CO was not able to adequately address. These defaults were caused by multiple factors including the country's nationwide fuel shortage throughout 2018, and by the extensive time taken by WFP to amend contracts, release Purchase Orders (POs) and uplift the commodity. In some instances, CO delays in follow-up of issues exacerbated the impact of these failures.

- Suppliers from the private sector: Two contracted vendors failed to deliver approximately a total of 19,800 metric tons (approximately USD 4.2 million). The CO sought support from HQ Legal (LEGM) to negotiate with one of the suppliers which resulted in an amicable settlement. The mission report prepared by LEGM highlighted that the amount claimed by WFP had to be reduced because of some legal weaknesses which included CO delays in following up the defaults and the use of a contract format that had not been updated. In addition, the HQ Food Procurement Unit (OSCSF) had a contract with one of the private vendor's affiliated companies; the parallel supply agreements to HQ and CO might have created conflict further influencing the supplier's performance.
- Supplier from the public sector: The vendor supplied 23,500 metric tons (approximately USD 5.2 million) worth of commodity from an old crop year which, according to Sudan's food safety standards, was not allowed for consumption in Sudan. The CO asked the Global Commodity Management Facility (GCMF) unit to shift the related sale orders to another country where quality specifications were less restrictive. Despite the vendor supplying older grains, the CO paid the same unit price agreed in the contract for the latest crop.

67. The audit also noted that the inspection company contracted for approximately USD 60,000 by the CO failed to reconcile quantities delivered versus quantities invoiced by two sorghum vendors. Despite the lack of reconciliations, payments were made to the vendors because actions taken by the CO and the inspection company were not timely. Despite the underperformance, the CO extended the company's contract for three months and the same performance issues (discrepancies in uplifted figures) were then highlighted up to termination of the contract in March 2019.

#### *Procurement of Non-food Items*

68. A protracted process was noted to have taken place regarding the procurement of some non-food items and services:

- Construction of a logistics hub with a contract price of USD 3.9 million: The process from floating the tender to signing the contract took ten months to complete. During this period: (i) HQ requested multiple clarifications to the CO, but responses were not timely as a project manager was not appointed in the local engineering unit; and (ii) a 7 percent discount was initially obtained, but it was later necessary to approve a 10 percent price increase because of multiple requests from the CO to extend offer validity as prices constantly increased in local markets.
- Procurement of third-party monitoring services for approximately USD 500,000: The process from floating the tender to signing of a long-term agreement took six months to complete. The technical evaluation panel that reviewed the offers overlooked a requirement during the evaluation of proposals and initially awarded the contract to a company that was not able to meet CO requirements.

*CO Procurement Contracts Committee (PCC)*

69. The procurement processes for food and non-food items described above were reviewed by the local PCC in line with corporate requirements. To accomplish their advisory role PCC members need an adequate understanding of the procurement process. The audit noted that:

- Documents were often not shared with PCC members before meetings. This did not allow committee members sufficient opportunity to familiarize themselves with the procurement details and actions to be reviewed.
- PCC members interviewed did not have the background and knowledge required to conduct reviews and to make adequate recommendations.

Underlying cause(s): Lack of a documented approach to evaluate National Grain Reserve capacity strengthening and related support to farmers. Lack of a comprehensive assessment of vendor capacity and related risks. Lack of a food sourcing strategy including targets and key performance indicators (KPIs). Limited coordination with other procurement authorities within WFP. Deteriorating economic situation in Sudan causing market volatility, rapid inflation, and difficulty in accessing many goods. Limited capacity of requisitioning units to follow up non-food procurement processes (see *agreed action under observation 5 regarding HR*). Lack of training of PCC members.

**Agreed Actions** [High priority]

The CO will:

- Evaluate the impact of the partnership with ABS in terms of capacity strengthening.
- In coordination with the HQ Food Procurement Unit (OSCF) and GCMF, define a food procurement strategy (including an assessment of the local food commodities market and coordination with different procurement authorities) in line with the Food Procurement Manual, with targets and KPIs to be tracked, taking into account the supply from Sudan to other operations in the region.
- Require all PCC members and requisitioning units to undertake corporate online procurement training.

**Timelines for implementation**

30 June 2020

**Observation 7: CBT reconciliation process and management of paper vouchers***CBT reconciliation process*

70. The Cash Reconciliation Platform (CRP) is a tool developed by the CO to facilitate CBT reconciliation. It does this by matching CBT transactions between WFP and FSP data sets (beneficiaries payment lists and letters of authorization from WFP, and redemption reports and bank statements from FSPs) to identify anomalies for further follow-up and action.

71. The CO's reconciliation process required FSPs to share reports with the WFP focal points, who uploaded the reports manually into the CRP to run the exercise. The process also required the focal points to download WFP payment instructions from SCOPE and to upload them manually into the CRP. These manual exchanges and uploads of files into the CRP made these reports susceptible to human error and manipulation.

*Management of paper vouchers (expected to phase out in June 2019)*

72. The voucher reporting log (VRL, a corporate tool), is used to track the movement of vouchers including their serial numbers and validity. The audit noted that the CO did not maintain a VRL, resulting in an unsystematic reconciliation of paper voucher movements. A related issue was the non-standard practice of using/issuing undistributed paper vouchers (unique per month) from previous periods in succeeding months due to delays in receiving new paper vouchers for distribution. The issuance was done by stamping the new validity period over the previous one – necessitating proper monitoring and tracking of this voucher type.

Underlying cause(s): FSP access to CRP enabling direct uploading of reports not considered. Lack of oversight by the CO in maintaining the VRL at AOs. Delays in the receipt of printed paper vouchers due to lack of planning.

**Agreed Actions** [Medium priority]

The CO will:

- (i) Review and enhance the reconciliation process to limit manual intervention (i.e. providing the FSP with portal access to upload reports to the CRP directly, and enabling integration between the CRP and SCOPE).
- (ii) Implement the use of the VRL within the CO including area and field offices to facilitate the tracking, monitoring, and reconciliation of paper vouchers.

**Timeline for implementation**

31 December 2019

**Observation 8: Data quality in the Fleet Management System**

73. The audit noted some issues regarding data quality in the Fleet Management System (FMS), and with the use of heavy vehicles.

74. Issues with the registration of trips in FMS were noted from a sample reviewed. Two wrong odometer readings were inputted: one wrong asset ID was reported; and three empty runs for a truck reassignment to a different office were not registered in the system. Issues with data quality might affect the reliability of the conclusions drawn from their analysis.

75. The CO's fleet consisted of 103 trucks. OIGA's analysis of fleet use in 2018 highlighted that (rates indicated refer to trip days excluding the time a truck is positioned for loading):

- a) The average daily use of the fleet was 36 percent; and
- b) Maximum daily use was 73 percent, with peaks in August and September 2018.

76. The CO's fleet unit is assessing the opportunities of obtaining light trucks from the global fleet and disposing of some old ones.

Underlying cause(s): Limited review of data entered into FMS. Lack of an updated assessment of the fleet size needed. Unclear guidance on registration of empty runs.

**Agreed Actions** [Medium priority]

(a) The CO will:

- (i) Strengthen controls over the accuracy of data entered into FMS.
- (ii) Carry out a fleet assessment for heavy vehicles.

(b) OSC will clarify how to register empty runs.

**Timelines for implementation**

- (a) 31 December 2019
- (b) 31 August 2019



## Annex A – Summary of observations

The following tables shows the categorisation, 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.

Categories for aggregation and analysis:					
High priority observation	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic: Risks (ERM) Processes (GRC)		Implementation lead	Due date(s)
6 Procurement	Procurement - food & Procurement – goods & services	Business process risks	Food & Non-food items	CO	30 Jun 2020

Categories for aggregation and analysis:					
Medium priority observations	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic: Risks (ERM) Processes (GRC)		Implementation lead	Due date(s)
1 Governance and risk management associated with CBT interventions	CBT	Governance & oversight risks	Risk management	CO	30 Jun 2020
2 CO's use of SCOPE	Security administration/controls over core application systems	IT & Communications risks	Technology	CO TECB	(a) 30 Sep 2019 (b) 31 Dec 2019
3 Cooperating partnership management	NGO partnerships	Partner and vendor risks	Partner management	CO	30 Nov 2019
4 Monitoring	Monitoring & evaluation	Programme risks	Performance management	CO	31 Dec 2019
5 Human resources	Human resources management	Programme risks	Human resources	CO HRMTD	(a) 31 Dec 2019 (b) 30 Jun 2020
7 CBT reconciliation process and management of paper vouchers	CBT	Business process risks	Risk management	CO	31 Dec 2019
8 Data quality in the Fleet Management System	Overseas & landside transport	Asset risks	Transportation	CO OSC	(a) 31 Dec 2019 (b) 31 Aug 2019

## Annex B – Definitions of audit terms: ratings & priority

### 1 Rating system

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 Priority of agreed actions

Audit observations are categorized according to the priority of agreed actions, which serve 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.

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.

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>7</sup>

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

<sup>7</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.

### 3 Categorization by WFP's audit universe

WFP's audit universe<sup>8</sup> covers organizational entities and processes. Mapping audit observations to themes and process areas of WFP's audit universe helps prioritize thematic audits.

**Table B.3: WFP's 2019 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 and 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; M&E framework; Gender, Protection, Environmental management.

### 4 Categorization by WFP's governance, risk & compliance (GRC) logic

As part of WFP's efforts to strengthen risk management and internal control, several corporate initiatives and investments are underway. In 2018, WFP updated its Enterprise Risk Management Policy<sup>9</sup>, and began preparations for the launch of a risk management system (Governance, Risk & Compliance – GRC – system solution).

As a means to facilitate the testing and roll-out of the GRC system, audit observations are mapped to the new risk and process categorisations to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

**Table B.4: WFP's new ERM Policy recognizes 4 risk categories and 15 risk types**

1	Strategic	1.1 Programme risks, 1.2 External Relationship risks, 1.3 Contextual risks, 1.4 Business model risks
2	Operational	2.1 Beneficiary health, safety & security risks, 2.3 Partner & vendor risks, 2.3 Asset risks, 2.4 ICT failure/disruption/attack, 2.5 Business process risks, 2.6 Governance & oversight breakdown
3	Fiduciary	3.1 Employee health, safety & security risks, 3.2 Breach of obligations, 3.3 Fraud & corruption

<sup>8</sup> A separately existing universe for information technology with 60 entities, processes and applications is currently under review, its content is summarised for categorisation purposes in section F of table B.3.

<sup>9</sup> WFP/EB.2/2018/5-C

4	Financial	4.1 Price volatility, 4.2 Adverse asset or investment outcomes
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**Table B.5: The GRC roll-out uses the following process categories to map risk and controls**

1	Planning	Preparedness, Assessments, Interventions planning, Resource mobilisation and partnerships
2	Sourcing	Food, Non-food, Services
3	Logistics	Transportation, Warehousing
4	Delivery	Beneficiaries management, Partner management, Service provider management, Capacity strengthening, Service delivery, Engineering
5	Support	Finance, Technology, Administration, Human resources
6	Oversight	Risk management, Performance management, Evaluation, Audit and investigations

## 5 Monitoring the implementation of agreed actions

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.

OIGA monitors agreed action from the date of the issuance of the report with regular reporting to senior management, the Audit Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, OIGA will issue a memorandum to Management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, OIGA continues to ensure that the office in charge of the supervision of the Unit who owns the actions is informed. Transparency on accepting the risk is essential and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. OIGA informs senior management, the Audit Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.

## Annex C – Acronyms

ABS	Agricultural Bank of Sudan
AO	Area Office
CBT	Cash-based transfers
CETA	Central, Eastern, and Two Areas
CFM	Complaints and Feedback Mechanism
CO	County Office
CP	Cooperating Partner
CRP	Cash Reconciliation Platform
CSP	Country Strategic Plan
ERM	Enterprise Risk Management
FLA	Field Level Agreement
FMS	Fleet Management System
FSP	Financial Service Provider
GCMF	WFP Global Commodity Management Facility
GDP	Gross Domestic Product
GRC	Governance Risk and Compliance
HR	WFP Human Resources Division
HRMTD	HR Talent Deployment and Career Management Branch
HQ	WFP Headquarters
ICSP	Interim Country Strategic Plan
IRM	Integrated Road Map
LEG	WFP Legal Division
KPI	Key Performance Indicator
MIFA	Micro Financial Assessment
M&E	Monitoring and Evaluation
NGO	Non-governmental organization
NGR	National Grain Reserve
OIGA	Office of the Inspector General Internal Audit
OSCSF	WFP Food Procurement Unit
PCC	Procurement Contracts Committee
PODA	Purchase Order Distribution Agreement
PRRO	Protracted Relief and Recovery Operation
RB	Regional Bureaux

RMFB	Business Development Cash-Based Transfers (CBT) Branch
SDG	Sustainable Development Goal
SO	Strategic objective
SOD	Segregation of Duties
SOP	Standard Operating Procedure
SSR	Staffing and Structure Review
TECB	Information Technology Beneficiary Service branch
TOR	Terms of Reference
TPM	Third Party Monitoring
UN	United Nations
USD	United States Dollar
VAM	Vulnerability Assessment Mapping
VRL	Voucher Reporting Log
WFP	World Food Programme
WG	Working Group
WINGS	WFP's enterprise resource planning system