Internal Audit of WFP Operations in Uganda

Office of the Inspector General
Internal Audit Report AR/20/06

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Contents

Internal Audit of WFP operations in Uganda

I. Executive Summary

WFP Uganda Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Uganda that focused on the period from 1 January 2018 to 30 September 2019. Expenditures for the audit period totalled USD 316 million. The audit team conducted the fieldwork from the 11 to the 29 November 2019 at the country office premises in Kampala, and through onsite visits to several field locations across Uganda. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. The country office adopted a Country Strategic Plan for 2018-2022, with total requirements of USD 1.2 billion, focusing on emergency response, resilience, nutrition, agricultural market support, capacity strengthening and the provision of supply chain services. As part of the Country Strategic Plan, WFP is to maintain emergency response capabilities, address the causes of food insecurity and malnutrition, help improve social protection systems, and support the Government of Uganda in hosting the growing number of refugees.

3. Currently, Uganda hosts the highest population of refugees of any country in Africa. As a result, of the recent crises in South Sudan and the Democratic Republic of the Congo, the refugee population, registered by the Office of the Prime Minister, grew from 400,000 in 2016 to approximately 1.4 million in 2018. Refugees include predominantly individuals who fled from South Sudan, the Democratic Republic of the Congo, Burundi, and Somalia.

4. In late 2017, WFP received information and reports alleging the existence of irregularities related to refugee registration and food assistance processes. In response, WFP's Office of the Inspector General performed an inspection, which confirmed there were structural factors, and systematic internal control weaknesses, that created an environment highly susceptible to fraud and corruption. As a result, a number of actions were designed by the country office to address internal control gaps. In addition, a one-year Joint Plan of Action was formulated, in the form of a framework to promote transparency and accountability, and agreed between WFP, the Government of Uganda, the UN High Commissioner for Refugees (UNHCR), and donor countries. These actions led to the biometric verification of all refugees in Uganda using UNHCR's biometric identity management system, eventually reducing the caseload from 1.4 to 1.1 million refugees as of October 2018.

5. In March and August 2019, there were two food safety incidents involving corn soya blend distributed as part of nutrition activities, leading to five fatalities. Upon identifying the issue WFP immediately halted distribution and recalled the suspected commodities. WFP has since launched an investigation and implemented additional procedures to strengthen food safety checks.

Audit conclusions and key results

6. 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.

7. The audit rating acknowledges the strong commitment by the country office to work cooperatively with UN, donor and government agencies for the implementation of internal controls designed to prevent and detect fraud and corruption. The joint plan of action agreed with partners created a framework that promoted transparency and accountability, addressing systemic financial and protection-related risks that were detected in refugee response activities. Progress towards the commitments entered into by WFP were recognised by stakeholders, as reported in the Joint Plan of Action for Transparency and Accountability report, June 2019. However, residual risks remained

pertaining to inclusion errors during the re-verification process, the registration of nationals as refugees, as well as the overstatement of household sizes due to the registration of individual minors across multiple households.

8.   Whilst being outside the direct control of WFP operations in the country, the audit assesses beneficiary information management as a risk impairing WFP's ability to provide reasonable assurance that only eligible populations are receiving food assistance. WFP's dependency on other partners to operationalise actions designed to address beneficiary information management risks will require continuous monitoring and advocacy by the country office, and continuous active participation in newly established joint risk management mechanisms.

9.   The audit noted biometric registration and distribution tools were implemented and used across 13 refugee settlements and 75 food distribution points. These tools provided the country office with new opportunities for continuous monitoring of distribution activities through data analytics, enhancing the assurance that could be provided regarding the integrity of distribution processes, and enabling the adaptation of monitoring activities to fit with data-driven risk indicators. Using data analytics techniques, the audit detected some anomalies in the distribution data sets, indicating deviations from the global distribution tool process flow; these deviations were corroborated during field visits. The country office had not yet resourced a data analytics programme, to improve its detective control capabilities.

10.   There were recurring food distribution pipeline challenges during the audit period, impacting the effectiveness of the programme. These pipeline challenges were largely attributed to bottlenecks in the execution of the regional food procurement sourcing strategy, and frequent food quality issues that went undetected by the food inspection service provider. This pointed to an urgent need to strengthen regional procurement planning and strategies and improve on the timely communication of potential disruptions to the pipeline. The country office recently engaged a food safety and quality expert to support and strengthen field-level food safety and quality controls.

11.   In 2019, WFP recalled 3,700 metric tonnes of corn soya blend products unfit for human consumption, in relation to the food safety incidents that occurred in March of 2019. Whilst these commodities were securely stored away from the public in WFP's warehouse facilities, they pose a risk until their destruction is complete. Destruction of these commodities was pending regulatory approval.

12.   In the period from January 2018 to October 2019 the country office distributed USD 50 million to beneficiaries through contracted financial services providers, using direct cash and agency banking models. Internal control gaps, including in the reconciliation of cash distributions as well as data and service quality issues, were noted to put at risk the country office's ability to detect anomalies and potential fraud during cash distributions, and scale-up assistance using cash modalities.

Actions agreed

13.   The audit report contains three high and five medium priority observations, one of which has agreed actions directed at a regional level. Management has agreed to address the reported observations and to work to implement agreed actions by their respective due dates.

14.   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

Uganda

15. Uganda is a landlocked low-income country in East Africa, ranked 163 out of 188 in the 2015 Human Development Index, and 121 out of 159 in the 2015 Gender Inequality Index. Uganda's current population is estimated at 44 million and is expected to reach 100 million by 2050. Despite its agricultural potential, and significant agricultural exports, Uganda's level of hunger is classified as 'serious' by the 2019 Global Hunger Index.

16. Uganda is hosting nearly 1.4 million refugees in settlements, the third largest refugee population in the world. These refugees are mostly women and children from conflict-afflicted countries across the region including Burundi, the Democratic Republic of the Congo, and South Sudan. Some of the poorest areas of the country host large numbers of refugees, putting additional pressure on local populations. The prevalence of food insecurity in the refugee population was estimated to be as high as 90 percent by some studies.

WFP operations in Uganda

17. WFP operations in Uganda are guided by the Country Strategic Plan (CSP) 2018-2022, which is aligned to Uganda's National Development Plan II (NDP II) and Vision 2040 towards the achievement of Sustainable Development Goals (SDGs) 2 and 17. The CSP has total requirements of USD 1.2 billion, focusing on emergency response, resilience, nutrition, agricultural market support, capacity strengthening and the provision of supply chain services, which are aligned to WFP Strategic Results 1,2,3, and 5. The country office (CO) is used as the regional global commodity supply chain hub, provides corridor services to six countries' offices, and serves as a pre-positioning location to the South Sudan CO.

18. During the period from March 2018 to September 2019, WFP assisted a cumulative 13.2 million beneficiaries, 73 percent of which received food and nutrition assistance, with the remaining 27 percent (3.5 million beneficiaries) receiving cash.

19. As noted previously, in late 2017, the CO received information alleging the existence of systemic and widespread fraudulent and corrupt practices in the registration and food assistance activities of refugee populations. Following investigations into these allegations, WFP's Office of Inspections and Investigations (OIGI) recommended a number of actions designed to address internal control gaps and deficiencies. A Joint Plan of Action (JPA) was formulated together with stakeholders to promote transparency and accountability. The JPA addressed systemic financial and protection-related risks through a 21-point action plan, focusing on the refugee registration and beneficiary management systems, integration of risks management, and mechanisms for accountability to affected populations. In addition to the JPA, the CO implemented changes to the role of cooperating partners (CPs) in the supply chain and instituted comprehensive capacity assessments in the selection of CPs.

20. Aligned to the actions agreed upon in the JPA, a budget revision (BR) to the CSP was approved in September 2018 to: improve infrastructure of facilities at final distribution points (FDPs); engage retailers for the prospective scale-up of cash-based interventions; capacity building around gender, protection and accountability to affected populations (AAP); and to conduct assessments and studies. Furthermore, new programmatic innovations were implemented   related to social protection and registry and strengthening of corridor services to neighbouring countries.

21. To support these changes, and the implementation of new robust systems of internal control, an organisational realignment exercise was completed in December 2018, resulting in a significant increase in the number of staff from 364 in January 2018 to 502 in November 2019.

22. In March and August 2019, there were two food safety incidents in the Karamoja region and Palabek refugee's settlement. WFP quarantined the suspected commodities and suspended distribution of corn soya blend (CSB+) products across Uganda. According to a Food Safety and Quality Audit performed at the manufacturer's facility, the contamination originated in toxic seeds that entered the production stream through raw materials. The CO, in

collaboration with relevant corporate units, was in the process of strengthening detective laboratory controls, and was waiting for regulatory approval to destroy 3,700 MT of contaminated CSB currently isolated in WFP warehouses.

Objective and scope of the audit

23.   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 Uganda. 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.

24.   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.

25.   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, programme delivery, resource management, support functions, partnership and advocacy as well as cross-cutting aspects. The audit planning and fieldwork phases considered the inspections, investigations, and other oversight missions carried out in Uganda during the audit period, including the commitments entered into by WFP under the JPA. Particular attention was paid to the implementation of the new food assistance collection procedures under Strategic Objective 1, activity 1 - *provide food and nutrition assistance for refugees,* and to the response by the CO to the food safety incidents that occurred in 2019.

26.   During the audit fieldwork, additional testing was performed in relation to the thematic audit of nutrition activities in WFP. These procedures entailed activities outside Strategic Outcome 1; the resulting observations from these audit procedures will feed into a separate audit report.

27.   The audit covered the period from 1 January 2018 to 30 September 2019; where necessary, transactions and events pertaining to other periods were reviewed. Audit activities were coordinated with ongoing work by other assurance providers.

28.   The audit fieldwork took place from 11 to 29 November 2019 at the CO premises in Kampala and through visits to project and logistics sites to points in Koboko, Kyangwali, and Kyaka, and two central distribution point warehouses in Tororo and Nalukolongo and nutrition health centre visits in Karamoja.

III. Results of the Audit

Audit work and conclusions

29.   The audit work was tailored to the country context and to the objectives set by the CO, 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.

30.   Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of ***partially satisfactory / some improvement needed***[1]. 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 could 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.

Gender maturity

31.   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.

32.   In 2018, the CO appointed a Gender and Protection Officer and established the Gender Results Network, to increase awareness on gender equality and protection in programme delivery. The CO has made positive progress in increasing the representation of women in the workforce to the targeted 40 percent. However, the CSP has a low gender and age marker score, indicating that gender and age are only partially integrated into the programme design and monitoring. Despite this low score, corrective actions have been taken during implementation of programmes to address the design gaps. The CSP redesign offers an opportunity to meaningfully integrate gender and protection in the CSP activities.

Annual assurance statement

33.   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 assurance statement for 2018 completed by the Uganda CO and compared the assertions with the findings of the audit.

34.   The review indicated that CO management did not report any significant gaps in the design, implementation and operating effectiveness of internal controls in the January to December 2018 Assurance statement. A thorough review of the 2017 and 2018 Assurance Statements for the Uganda CO were performed in May 2019. The statements did not identify internal control gaps, except for emergency preparedness and readiness in 2018, although some were known from management and reported through other channels. Such gaps in the Assurance Statement have been noted in various COs and reported in a Note OIGA sent to management on the Assurance Statement and Statement of Internal Control process. The process has been revised for 2019.

35.   As an additional assurance source, the July 2018 OIGI Inspection Report highlighted the existence of key risks with regard to integrity of refugee and beneficiary data, beneficiary identity, and fraud, corruption and theft through food diversion. The audit leveraged on additional sources of assurance, which highlighted other deviations worth considering in the Assurance Statement process. Lack of a legal framework for joint co-operation between the Government of Uganda, UNHCR and WFP posed a significant risk that needs to be continuously monitored.

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

Observations and actions agreed

36.   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 scopeareas in scope, observations and priority of agreed actions	**Priority of issues/agreed actions**
A: Governance and structure	
1. *Implementation of the Joint Review Process action plans*	*Medium*
B: Delivery	
2. *Beneficiary data management*	*High*
3. *Cash-based transfers*	*High*
4. *Cooperating partners management*	*Medium*
5. *Protection and staff wellness*	*Medium*
C: Resource management	
No observations raised	*N/A*
D: Support functions	
6. *Food safety and quality issues*	*High*
7. *Regional food procurement and sourcing issues –pipeline breaks*	*Medium*
8. *Implementation of the LESS last mile mobile solution*	*Medium*

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

38.   Management has agreed to take measures to address the reported observations[2]. 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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[2] Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

A: Governance and external risk management

39.   The audit performed tests and reviews of the CO organizational structure including implementation of the December 2018 organisational re-alignment recommendations; mechanisms for decision making; delegation of authority; segregation of duties; management and supervision of field operations; and mechanisms for management oversight and risk management. Furthermore, the audit reviewed the implementation and prioritization of agreed action plans from multiple second and third line oversight missions carried out in 2018 and 2019.

40.   From September 2017 to October 2019 the CO's employee complement nearly doubled and now stands at 502. Over 65 percent of employees were based in three area offices and ten field office locations, resulting in the adoption of a decentralisation strategy across various support functions including human resources, supply chain, monitoring, and finance. New standard operating procedures (SOPs) and interim operational guidelines were issued by the CO to the field offices to support this process. The implementation of the new food collection procedures and the related internal controls implemented for biometric verification at FDP level during distribution has resulted in a significant increase of the staffing level, and by extension the distribution cost per beneficiary, which in the medium to long-term may not be sustainable, and could render some controls redundant.

41.   The RAG was formulated jointly between WFP and other partners as a new advisory body to the Refugee Humanitarian Partners Group, to take over residual risks that remained post-implementation of the JPA actions, and to manage ongoing risks associated with the humanitarian refugee response. The CO actively participated in the risk advisory group (RAG), established in August 2019.

42.   The audit noted multiple oversight missions were carried out in 2018 and 2019 by the Regional Bureau in Nairobi (RBN), headquarter units, the External Auditor, and jointly with WFP partners and donors covering a wide range of functional areas. These missions made a number of recommendations to the CO; these were reviewed for implementation during the audit.

Observation 1: Implementation of the Joint Review Process Action Plans

43.   Following the implementation of the new food assistance collection procedures in all refugee settlements, a joint process review was conducted in March 2019 by WFP, the Government of Uganda, and UNHCR on the implementation of the SOP. Specific actions were identified and agreed to further strengthen the quality of food assistance delivery and coordination. The audit identified the following issues pertaining to the effective implementation of 60 joint review recommendations:

44.   *Implementation of the recommendations* - 90 percent of the 60 recommendations put forward by the joint process review were either pending or in progress at the time of the audit. Actions to revise the food collection procedures SOP were pending inputs from UNHCR and the Government. In the interim, the CO issued operational guidelines to field offices, however, there was lack of systematic follow-up on the implementation of these at the time of the audit.

45.   *Gaps at field level* - Field visits to a sample of five FDPs confirmed some risks that had been highlighted by the joint process review remained. These were: inconsistent representation at litigation desks by the Office of Prime Minister (OPM) and UNHCR; delays in updating the ProGres[3] database; protection issues linked to the FDP locations; and some infrastructure shortcomings. The mitigation of most of these risks is highly dependent on finalisation of the revised SOP which requires inputs from all parties acting as the lead implementation partners of the identified control gaps.

46.   *SOP review process* -The process to periodically review the SOP related to food collection procedures, jointly with UNHCR and the Government of Uganda (e.g. the review framework, timing, resourcing and accountabilities of

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[3] UNHCR registration and identity management system.

partners) was not considered to ensure the continued relevance of processes and internal controls at the time of finalisation of the initial SOP.

47.   *Resourcing of the joint actions plans* - WFP received USD 18 million to improve the FDP infrastructure for a number of identified locations and for beneficiary biometric registration. At the time of the audit the CO had not produced a preliminary report on the utilization of these funds. The implementation of some joint process review actions plans, that would strengthen internal controls, remain on hold.

Underlying cause(s): RAG TORs and formulation of the joint risk register is relatively new; formal review of new food collection procedures was not established in the SOP; no preliminary reporting on the expenditures related to the budget revision; tripartite agreement with UNHCR and OPM defining the joint operational framework was pending.

Agreed Actions [Medium priority]

The CO will:

(a)   Continue to follow-up on the finalisation of the tripartite agreement with OPM and UNHCR, paving the way for the formulation of a steering committee to facilitate joint operational coordination and support; and

(b)   Advocate with its partners at RAG level, a process be established to review the food collection procedures SOP, periodically reviewing processes and adjusting the number and levels of controls at FDP levels for both food and cash distribution (to make these sustainable over time).

Timeline for implementation

30 June 2020

B: Delivery

48.   The audit performed tests and reviews of programme management, including beneficiary registration, management of partners and cash transfers to beneficiaries, as well as in-country monitoring, including the operationalisation of the complaints and feedback mechanism. The activities reviewed focused on: strategic outcome one - blanket general food and nutrition assistance to refugees; and strategic outcome three - focusing on nutrition assistance. WFP's commitment to AAP principles and its participation in the new inter-agency Feedback, Referral and Resolution Mechanism were also considered.

49.   The biometric re-verification exercise, using UNHCR's Biometric Identity Management System (BIMS), was concluded in October 2018. A total of 1.1 million refugees were verified, representing 75 percent of the 1.4 million refugees estimated to be in the country prior to the commencement of the exercise.

50.   BIMS data was kept secure, accurate and up-to-date through continuous registration and enrolment services offered by OPM at each settlement. WFP, UNHCR and OPM conducted a comprehensive review of the general food assistance system, which resulted in new food assistance collection procedures using UNHCR's Global Distribution Tool (GDT), to verify and validate the identity and eligibility of food assistance collectors using biometric identifiers. The audit performed data analytics on the pre and post GDT reports, to gain assurance regarding the accuracy, validity and completeness of transfer data.

51.   In order to ensure continuous learning, and to identify room for improvement regarding the new system, WFP, UNHCR and OPM jointly launched a comprehensive review of the New Food Assistance Collection Procedures in March 2019. The review resulted in joint action plans to close process and internal control gaps. The audit reviewed and assessed, at the field level, the level of prioritisation and capacity of WFP to implement the recommendations directed at the organization, and assessed any residual risk relating to programme delivery and an accountability mechanism with partners.

52.   The CO performed a vulnerability and essential needs assessment study in 2019, to determine and inform any future adjustments to the design of the refugee response. Regarding vulnerability assessment, it is worth noting WFP was instrumental in the formulation of an assessment technical working group (ATWG) with other partners.

53.   The RBN performed a monitoring, evaluation, and partnership management oversight mission in October 2019. At the time of the audit the report from this mission had not been finalised.

Observation 2: Beneficiary Data Management

Food and Cash Distribution Model

54.   The pre-distribution manifests generated did not capture the most updated registration, as WFP did not have visibility on the changes made to the beneficiary database in UNHCR's ProGres by OPM or UNHCR. Additionally, changes were still made by OPM and UNHCR after the deadlines for the cut-off to changes in ProGres in the food collection procedures SOPs, and after the manifests they were generated for WFP distribution, and in some instances hindering distribution planning.

Global Distribution Tool (GDT) Data Analysis

55.   The CO faced challenges consolidating GDT beneficiary data for analysis and oversight at CO level, increasing the risk that systemic issues may not be detected. Since the distribution model was driven by beneficiary data extracted from ProGres, it was imperative for the CO to develop data analytics capabilities, using GDT, to detect anomalies that may require follow-up.

56.   Analysis on pre and post GDT manifests of food and cash distribution data for three FDPs yielded results that indicate deviations from the approved food distribution procedures including: cases of authorized collectors for multiple households; cases of beneficiaries who actually collected the entitlement for the same distribution cycle

for multiple households; cases where the collector of the entitlement was not an authorized individual; cases in which the numbers of allowed collectors for a household exceeded ten people, etc.

57.   Furthermore, during field visits to five FDPs the audit noted inconsistent implementation of the procedures for admitting beneficiaries into the FDPs before they were biometrically verified using GDT scanning devices. Deadlines for the cut-off to changes in ProGres were not complied by OPM and UNHCR in-line with the SOPs for food collection assistance. Some of these systems anomalies could have been detected through data analysis.

Underlying cause(s): Absence of data analytics capabilities and tools to analyse the GDT data, including detection of the inconsistent process flows at FDPs; limited data analysis performed on GDT data produced during pre and post distribution; non-compliance with SOPs by partners.

Agreed Actions [High priority]

The CO will:

(a)   Develop data analytics capabilities to perform detailed analysis of GDT data to inform changes in programme implementation, monitoring and oversight activities;

(b)   Emphasize with field offices and partners on the consistent use the admission scanning tools;

(c)   Develop processes to mainstream data analytics results when planning oversight and monitoring activities; and

(d)   Request centralised access to ProGres data, to facilitate analysis and oversight of field operations, in-line with the WFP and UNHCR global data sharing agreement.

Timeline for implementation

(a)   31 December 2020

(b)   30 April 2020

(c)   28 February 2021

(d)   30 April 2020

Observation 3: Cash-Based Transfers

Operationalisation of programme modality

58.   The cost-benefit analysis that informed WFP's mixed approach of food and cash distributions was last updated in 2017. The implementation of the new food collection procedures required that beneficiaries voluntarily select a choice of modality, which reinforces acceptance of the use of cash for general food assistance (GFA). However, this has resulted in some settlements distributing both food and cash, without established thresholds to trigger changes to transition these settlements to a single modality.

Cash Distribution – Bank on Wheels

59.   The CO took steps to develop systems and processes to manage the reconciliation of cash distributions. The CO was carrying out reconciliations of bank-on-wheels cash distributions, totalling USD 50 million for the period from January 2018 to October 2019, to ensure that actions taken by the financial service provider (FSP) to credit beneficiary bank accounts corresponded to the approved payment instructions. However, reconciliation of cash-out transactions, and account balances, were not done due to the lack of reliable data from the FSP. Post distribution reports were prepared manually by the FSP from the cash release notes (CRNs), as opposed to generating them from the core banking system, posing data integrity issues. Furthermore, reports from the FSP were not provided on a timely basis as provided for in the signed contractual agreement.

60. In March 2019, after the reverification of beneficiaries was performed, 300,000 individuals were identified to be ineligible for assistance and removed from distribution manifests. However, the WFP wallets opened for some of these individuals, with sole purpose of transferring cash in relation to assistance programmes, were yet to be closed at the time of the audit field work. Whilst no transfers were made to these wallets during the audit period, there were no periodic checks carried out to ensure these ineligible individuals did not reappear in the distribution manifests.

61. The audit also noted that the CO did not monitor dormant accounts (where beneficiaries did not arrive at distribution points over three consecutive distribution cycles) or take action to deactivate these.

Cash Distribution – Agency Banking Model

62. Reconciliations were yet to be carried out for cash distributions using the agency banking model. During the period from June to October 2019 the CO distributed USD 1 million in cash using this model.

Reconciliation Tool - VerifAID

63. The CO developed the VerifAID application to reconcile cash distributions. However, the audit noted that there were no allocated resources for the roll-out of this application. At the time of the audit, VerifAID was not yet registered in WFP's corporate IT asset register, and as such, was outside WFP's information security umbrella, exposing it to potential IT vulnerabilities.

Financial Literacy Training

64. The audit noted that the level of financial literacy training was not commensurate with the speed at which cash distributions were being scaled-up (on average 4,200 new beneficiary households per month since June 2019).

65. The audit notes however that corporate guidance on CBT reconciliation was only issued mid-2019 and that, as highlighted by OIGA in several reports, one on mobile money in West and Central Africa (AR/ 19/19) most recently, headquarters needs to "decide on the SCOPE platform, confirming whether it is the only long-term solution for WFP's 'front -end' and 'back-end' CBT processes, including CBT reconciliation processes; [...] support close collaboration between the IT beneficiary service and the business owners to ensure that the on-going development of SCOPE is rooted in well-defined business requirements"[4].

Underlying cause(s): Inadequate design of reconciliation processes in the absence of a corporate system and guidance (issued mid-2019); gaps in the assessment of the FSP's capabilities to provide data; lack of investment in data analytics at the CO; Implementation of VerifAID ongoing and maturing; and the identified operational risks related to the agency banking model not yet formally incorporated in the CO CBT risk register.

Agreed Actions [High priority]

The CO will:

(a) Launch the post distribution reconciliation process in VerifAID, including pre and post distribution reconciliation for agency banking model distribution;

(b) Liaise with the Information Technology Beneficiary Service branch (TECB) and Information Security Division (TECI), and the cash-based transfers (CBT) headquarters Data Assurance unit, to formalise the adoption of VerifAID, ensuring it is registered in the IT asset inventory system (GLASS) and monitored by IT security;

(c) Increase the level of financial literacy initiatives to match the scale-up of CBT; and

(d) Identify and close all WFP wallets for individuals that were removed after re-verification and establish periodic checks to ensure these individuals do not reappear on the distribution manifests.

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[4] Agreed action – Observation 10 – Internal Audit Report AR/19/19 on Mobile-based transfers in West and Central Africa - https://www.wfp.org/audit-inspection-reports.

Timeline for implementation

(a) 31 December 2020

(b) 31 December 2020

(c) 31 December 2020

(d) 30 June 2020

Observation 4: Cooperating Partners Management

66. The CO currently has Field Level Agreements (FLAs) with 12 partners for the implementation of the general food and nutrition assistance to refugees and crisis affected populations, averaging a monthly commitment of USD 1 million for payments to CPs. From the review of the agreements, invoices and reports relating to four CPs, the audit noted payment delays. Fifty percent of the sample tested were more than 60 days overdue for payment, with a collective outstanding balance of USD 1.5 million. CPs highlighted that, as a result of the CO's recent decentralisation process, some WFP field offices present capacity challenges.

Underlying cause(s): The CO recently introduced for field offices to perform a first level review of CP invoices and reports, as part of its decentralization strategy; capacity gaps and a lengthy process for resolving invoice inquiries at the field office.

Agreed Actions [Medium priority]

The CO will finalise the decentralization of the invoice review process and provide training and capacity building to field offices, to expedite the processing of invoice payments to partners.

Timeline for implementation

31 December 2020

Observation 5: Protection and staff wellness

67. The implementation of the new food collection procedures resulted in the expansion and enhancement of FDP infrastructure and a rapid increase in CO's employee complement, which nearly doubled to 502. Considering these changes, the audit noted the following issues related to staff wellness and beneficiary protection.

68. *Staff wellness* - Since all distributions were dependent on WFP staff biometrically verifying beneficiaries, there were instances of distribution delays due to staff members travelling over 200 km to reach some of the FDPs from the nearest field office locations.

69. *FDP locations* - Some of the FDPs were located far away from the refugee settlements. As a result, some beneficiaries were selling part of the WFP distributed commodities to cover transportation costs. Programme guidelines indicate beneficiaries should ideally be located no more than 5 km away from the nearest FDP.

70. *FDP facilities* – Some of the FDP facilities available and infrastructures in place for sanitation and crowd control were not adequate to manage the beneficiary caseloads. For example, one of the FDP's had a caseload of 80,000 beneficiaries but was only designed to serve 45,000 beneficiaries. Staff at the field office level raised concerns regarding heavy logistical challenges in mobile FDPs, as well as inadequate FDP infrastructure.

Underlying cause(s): Security constraints preventing the location of staff near the FDPs; investment in staff guest houses not yet completed for FDPs in remote locations; appeals for the construction of additional FDPs and conversion of mobile FDPs not funded.

Agreed Actions [Medium priority]

The CO will:

(a) Assess the distances between field offices and FDP locations, and propose appropriate investments in guesthouses to facilitate staff lodgings to reduce travel distances; and

(b) Follow-up on the funding appeals made for additional funding and investments towards FDP improvements.

Timeline for implementation

31 May 2020

C: Resource management

71. The audit performed tests and reviews of finance and accounting procedures, and human resources management, including recruitment and training activities during the audit period.

72. During the audit period, RBN carried out an oversight mission on finance, budget and programming. Areas of improvement were noted in strengthening and capacity building of budgetary controls at the sub-office level. The audit noted progress in the implementation of some of the actions that have been incorporated in the training and capacity building of staff at field level. CBT related observations have been raised under observation three or the delivery section.

73. No observations were raised in this area.

D: Support functions

74. The audit performed tests and reviews of the CO's support functions including supply chain management, commodity management, procurement, food safety and quality and construction activities.

75. Following the food safety and quality (FSQ) incidents that occurred in March and August 2019, the CO stopped distribution and recalled 3,700 metric tonnes (MT) of CSB not fit for human consumption. The audit confirmed the physical balances of the unfit commodities were complete and segregated in two warehouse locations in the country.

76. In 2019, the CO appointed a Food Technologist to focus on the food safety and quality management processes downstream and support field operations.

77. The audit followed-up on the implementation of recommendations from OIGI's Inspection report completed in 2017. The recommendations relate to improvements in the tracking of commodities at FDPs and accountability of CPs. The RBN performed a supply chain oversight mission in October 2019, the report was being finalised at the time of audit.

Observation 6: Food Safety and Quality issues

78. The audit reviewed the effective management of food quality and safety risks, processes and tools within supply chain and the new food assistance collection procedures management, noting the following issues:

79. *Regional superintendent services* – The CO used the services of a superintendent under a long-term agreement (LTA) managed by RBN. There were repeated instances during the audit period where the superintendent failed to detect food quality issues, resulting in pipeline challenges. For instance, during the audit the team noted batches of palm oil in jerry cans that were consistently under-filled and not detected by the superintendent.

80. *FSQ issues at the field level* - While the commodities reaching the FDPs were deemed fit for human consumption, the new food collection procedures heightened the level of transparency regarding food quality at the FDP level, increasing the potential negative impact on WFP's reputation when failing to detect food quality issues. The audit noted food quality incidents were not reported by the field office to the CO, indicating some practices were not in-line with food incident management (FIM) guidelines.

81. *Training on FSQ* – Partners did not receive food incident management training. Training is critical as CPs are primarily responsible for handling commodities at distribution sites, and act as the first line in detecting food quality issues.

82. *Disposal of CSB+ commodities* – 3,700 MT of CSB, not fit for human consumption, were recalled during the audit period and were awaiting destruction at WFP warehouses. These commodities represent a significant risk to WFP and the public until they are destroyed.

83. *Follow-up of oversight recommendations* - There was an outstanding action as proposed by the HQ food safety and quality oversight mission carried out in 2018, related to the follow up and performance of new vendor audits.

Underlying cause(s): Absence of FSQ technical capacity during most of the audit period to support and provide oversight on food quality and safety; superintendent services issues not resolved by the RBN; whilst FIM guidelines and training were recently disseminated, these have not yet been fully implemented at the field level; ongoing processes for the destruction of commodities not fit for human consumption have not been finalized.

Agreed Actions [High priority]

    1)   The CO will:

(a) Implement the HQ food safety and quality mission outstanding recommendations found in the vendor audit improvement plans;

(b) Follow-up and address the FSQ issues noted by the audit, and develop a plan to strengthen field office and partners' FSQ capacity to implement the FIM guidelines; and

(c) In co-ordination with relevant corporate units destroy commodities not fit for human consumption as soon as possible.

    2)   RBN will review the performance of the superintendent services provider and resolve service issues, in liaison with the CO

Timeline for implementation

1) a)   31 May 2020

    b) 30 September 2020

    c) 31 Dec 2020

2) 30 September 2020

Observation 7: Regional food procurement and sourcing issues – pipeline challenges

84. The CO's demand in 2019 for planning of food distribution requirements totalled 180,000 MT of commodities, with 80 percent of the requirement being sourced regionally and locally. The audit noted challenges in the execution of the corresponding RBN regional food procurement strategy, predominantly sourcing commodities through the GCMF, and resulting in recurrent pipeline challenges that impacted food distributions. The following issues were noted:

85. *Regional superintendent issues* - For the period from March 2018 to September 2019, the CO detected food quality issues, including the presence of dust and foreign materials that resulted in significant delays of distributions, and additional costs as batches of maize, sorghum, and beans procured through the GCMF had to be re-cleaned. A pipeline break was noted during the November 2019 distribution cycle for batches of yellow split peas due to food quality issues which were not detected by the superintendent. To address the issue, the CO sent a letter of concern and an action plan to the superintendent (contracted under a regional LTA), calling for an increase in the number of samples taken for inspection. Despite these actions, the CO continued to face recurrent incidents of food quality that were only detected in the country.

86. *Regional Sourcing Strategy* - For the August to November 2019 distribution cycles the CO did not distribute one out of the four commodities in the beneficiary food basket due to non-delivery by the supplier . Challenges related to the ad hoc, small scale and CO based nature of requests requiring procurement on the spot, which were not prioritized by the contracted vendor. Sourcing of some of the pulses from small-holder farmers at the regional level also resulted in food quality issues, with some commodity batches requiring re-cleaning before they could be distributed. Another key challenge during 2019 was the Government's Zero Tolerance approach to GMO traces in food commodities entering the country.

87. *Impact on Programme implementation* - Communication regarding the November 2019 pipeline break with partners and beneficiary communities was untimely, requiring increased sensitisation efforts. The audit noted during field visits to sampled FDPs WFP commodity sales by beneficiaries as a result of pipeline challenges, impacting the effectiveness of the programme.

Underlying cause(s): Gradual shift from quality control to quality assurance including the contractual operational models with contracted third parties has not yet fully matured including; limited flexibility on available funding

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proposals to source commodities internationally; inconsistent food safety and quality standards from regional and local purchasing sources.

Agreed Actions [Medium priority]

RBN will:

(a) In co-ordination with the CO and with the provision HQ guidance on the shift to a quality assurance system, review the scope of work and performance of the regional superintendent service provider, to ensure the services provided are tailored to suit the source of commodities, and associated FSQ issues and risks;

(b) Prepare a plan to periodically engage with regional vendors to emphasize WFP's quality standards, in-line with the corporate strategy shift to a quality assurance system; and

(c) In co-ordination with the CO, plan a cross-functional meeting for the 2020 demand planning and review the planning, sourcing and implementation strategies, to ensure the diversification of vendors for all commodities and timely action on any pipeline issues which emerge.

Timeline for implementation

(a) And (b) 30 September 2020

(c) 31 March 2020

Observation 8: Implementation of the LESS Last Mile Mobile Solution

88. In April 2018, the last mile solution was piloted in Uganda to confirm deliveries to CPs in real time and avoid delays in processing supply chain data. The uptake of the solution has been slow. As of November 2019, the average monthly rate of utilization of the solution was 23 percent.

89. Data analysis by the audit noted some issues, including:
  - Deliveries scanned through the last mile solution that were not successfully entered into the system due to incorrect data entry, the physical waybill already entered into the system and differences in receiving locations;
  - Deliveries with handover dates preceding the dispatch dates.

90. There was minimal network coverage at FDPs and a high staff turnover for CPs, affecting connectivity and the uptake of the solution by partners. The audit noted the use of the solution was not periodically assessed.

91. The CO took measures to increase the utilization of the solution, including a last mile utilization indicator as part of the CP's annual performance evaluation. However, with the introduction of multi-year FLAs commencing in 2020, there has been a reduction in the potential impact of this measure.

Underlying cause(s): CP staff knowledge gap; inadequate technical capacity to support system glitches at the CO level; network coverage issues across some FDPs.

Agreed Actions [Medium priority]

The CO will:

(a) Perform additional training for CP staff, and their designated alternates, to ensure they consistently use the LESS last mile solution; and

(b) Identify common causes of last mile scans not being successful and address the corresponding causes, using the data analysis on the utilization of the solution.

Timeline for implementation

31 July 2020

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)**
2 Beneficiary data management	Beneficiary management	Programme risks	Beneficiaries management	CO	(a) 31 December 2020 (b) 30 April 2020 (c) 28 February 2020 (d) 30 April 2020
3 Cash-Based Transfers	CBT	Business process risks	CBT service providers	CO	(a) 31 December 2020 (b) 31 December 2020 (c) 31 December 2020 (d) 30 June 2020
6 Food Quality and Safety Issues	Food quality and safety	Beneficiary health, safety and security risks	Food	CO RBN	1) (a) 31 May 2020 (b) 30 September 2020 (c) 31 December 2020 2) 30 September 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 Implementation of the Joint Review Process action plans	Management oversight	Governance & oversight risks	Risk management	CO	30 June 2020
4 Cooperating Partner management	NGO partnerships	Partner and vendor risks	Partner management	CO	31 December 2020
5 Protection and staff wellness	Protection	Programme risks	Human resources	CO	31 May 2020
7 Regional food procurement and sourcing issues –pipeline breaks	Procurement food	Programme risks	Food	RBN	(a) 30 September 2020 (b) 30 September 2020 (c) 31 March 2020
8 Implementation of the LESS Last Mile Mobile Solution	Commodity management	Business Process Risk	Risk management	CO	31 July 2020

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

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[5] 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[6] 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 it's Enterprise Risk Management Policy[7], 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.

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[6] 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.
[7] WFP/EB.2/2018/5-C

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
4	Financial	4.1 Price volatility, 4.2 Adverse asset or investment outcomes

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

AAP	Accountability to Affected Populations
ATWG	Assessments Technical Working Group
BIMS	Biometric Identity Management System
BR	Budget Revision
CBT	Cash-Based Transfers
CO	County Office
CP	Cooperating Partner
CRN	Cash Release Note
CSB	Corn Soya Blend
CSP	Country Strategic Plan
ERM	Enterprise Risk Management
FDP	Final Distribution Point
FIM	Food Incident Management
FLA	Field Level Agreements
FSP	Financial Service Provider
FSQ	Food Safety and Quality
GCMF	Global Commodity Management Facility
GDT	Global Distribution Tool
GLASS	IT Asset Inventory System
GRC	Governance, Risk & Compliance
ICT	Information Communication Technology
JPA	Joint Plan of Action
LESS	Logistics Executive Support Systems
LTA	Long Term Agreement
MT	Metric Tonnes
NDP II	National Development Plan II
NGO	Non-Governmental organization
OIGA	Office of the Inspector General Internal Audit
OIGI	Office of Inspections and Investigations
OPM	Office of Prime Minister
PDM	Post Distribution Monitoring
RAG	Risk Advisory Group
RBN	Regional Bureau in Nairobi
SDG	Sustainable Development Goal
SOP	Standard Operating Procedure
TECB	Information Technology Beneficiary Service branch
TECI	Information Security Division
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
USD	United States Dollar
WFP	World Food Programme