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CHANGING LIVES

# Internal Audit of WFP Operations in the Democratic Republic of Congo

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# Contents

# Internal Audit of WFP's Operations in the Democratic Republic of Congo

## I. Executive Summary

### WFP Democratic Republic of Congo Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in the Democratic Republic of Congo that focused on the period 1 January to 31 December 2019. The audit team conducted the fieldwork from 10 to 28 February 2020 at the Country Office premises in Kinshasa and through onsite visits to field offices in Kananga and Goma. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. WFP's Interim Country Strategic Plan 2018–2020 focuses on responding to large-scale displacement and other shocks while pursuing long-term recovery and resilience activities to address the underlying causes of food insecurity and malnutrition. Four budget revisions have been approved in 2018, 2019 and 2020 to scale up WFP's response, initially to prevent acute malnutrition, and subsequently in various strategic outcomes. The Country Strategic Plan is due for approval in late 2020. Country Office expenditure in 2019 totalled USD 540,786,333, representing 7 percent of WFP's overall expenditure.

3. During the audit period, WFP was responding to a Level Three emergency, activated in 2017 following the Kasai crisis and the country's great internal displacements. In 2019, the effects of the second deadliest Ebola virus disease outbreak in history exacerbated an already challenging food security situation.

### Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **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.

5. The context of WFP operations in the Democratic Republic of Congo is complex: ongoing conflicts, internal displacements and disease outbreaks are the main triggers of food insecurity in one of the world's largest hunger crises; and access restrictions because of insecurity and poor infrastructure in a vast territory are major constraints to operations on the ground. In this context, the Country Office was implementing a large portfolio of activities, responding to the Ebola emergency in addition to the protracted Level Three situation. A joint pilot resilience project with FAO was especially well received by stakeholders and led to additional funding for expanding this type of intervention. The United Nations Humanitarian Air Service (UNHAS) enabled rapid humanitarian connections within the country.

6. The Country Office was aware of the challenges and was taking action to address some of them. For example, to mitigate the high inherent risk of fraud in the context of the Democratic Republic of Congo, the Country Office segregated programme targeting and implementation with different cooperating partners and increased their capacity development. The Country Office also worked to strengthen controls in specific areas including partner selection; monitoring; operational planning and implementation processes; filling some key positions previously vacant; and supporting various management oversight missions from the Regional Bureau. As control strengthening initiatives can entail additional operating support costs and investments, the Country Office would benefit from further engagement with donors to increase visibility and to advocate for support.

7. The Country Office faced major challenges in attracting qualified personnel. Key positions stayed vacant for extended periods and staffing constraints were identified as underlying causes for various audit findings in this report. Ineffective implementation of WFP's corporate mechanisms for mobilization of staffing in support of Level Three emergencies impacted the scale up and provision of stable resources to cover operational needs. There were delays in the finalization of a large number of locally managed recruitments. On a positive note, the number of women employed at the Country Office increased by almost 10 percent in two years.

8. WFP's assistance to internally displaced people followed a 90-day distribution cycle approach. This model presented a challenge to programme design and implementation, particularly targeting and beneficiary data reconciliation processes, which were not carried out systematically. It also raised concerns about the impact of WFP's assistance to a high and increasing number of vulnerable people spread across the country. Gaps in beneficiary targeting included (i) the absence of a systematic verification of household survey results to assure data quality; (ii) inconsistencies in the targeting coverage; (iii) new beneficiaries added to distribution lists to replace absentees with validation provided solely by community representatives, and (iv) non-systematic tracking or analysis of absent and new beneficiaries to identify anomalies and trigger verification of targeting.

9. SCOPE was used for the cash modality, with biometric verification only available in certain locations. The review of SCOPE data highlighted issues with data quality and integrity, including some ineligible and duplicate beneficiaries due to an Excel-based, ineffective data de-duplication process. No privacy impact assessment of beneficiary data had been conducted; and the Country Office did not have data protection and privacy arrangements with cooperating partners managing beneficiary data for in-kind assistance.

10. Weaknesses in the guidance, planning and implementation of monitoring activities impacted the coverage and quality of monitoring. The analysis of monitoring information, data and complaints was not structured in an effective way to capture, escalate and follow up on trends, risks and issues to inform programmatic decisions, correction and/or strengthen internal controls.

11. Other issues were noted with regards to: (i) cash-based transfer market assessments, cost efficiency and effectiveness analysis and the contracting process; (ii) the logistics and transport operational set-up, contracting modalities and selection and management of transporters; and (iii) procurement planning, vendor assessment and selection, the completeness of food safety and quality tests, and warehousing and shelf-life monitoring. Risk management and monitoring of the implementation of recommendations from oversight missions also required strengthening. The 2019 reconciliation of logistics and programme commodity records had not yet been completed at the time of the audit report issuance.

12. The audit report contains five high and five medium priority observations, one of which has agreed actions directed at a corporate level.

## Actions agreed

13. Management has agreed to address the reported observations and work to implement the 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

## Democratic Republic of Congo (DRC)

15. The Democratic Republic of Congo (DRC), the second largest country in Africa, is a low-income country and is ranked fifth of 178 countries on the 2019 Fragile States Index, placing it in the highest category of risk ("very high alert"). The country is currently the second largest hunger crisis in the world after Yemen.

16. Hunger and conflict fuel each other, with armed conflict and widespread displacement prevalent in the country for the past 25 years, and multiple crises compounding DRC's humanitarian challenges. This has created a protracted economic and social slump, with the country's main macroeconomic indicators trending downwards in recent years. The vast geography, low population density, extensive forestlands and crisscrossing rivers complicate the development of infrastructure networks.

17. Instability and insecurity coupled with epidemic outbreaks (particularly Ebola Virus Disease [EVD] and cholera) have contributed to the continuous increase in malnutrition and food insecurity in the country. The recent EVD outbreak was the worst in the country's history, and the second largest and deadliest EVD outbreak globally, claiming thousands of lives in the North Kivu and Ituri provinces.

18. WFP declared a Level Three (L3) emergency for the crisis in the Kasai region in October 2017. This crisis has displaced more than 5 million people, making DRC the country most affected by internal displacement in Africa. More than 800,000 DRC nationals are refugees outside the country. In addition, the country hosts nearly 530,000 refugees from neighbouring countries, including Burundi, the Central African Republic, Rwanda and South Sudan.[1]

19. The already high prevalence of food insecurity and malnutrition across the country further increased in 2019. According to the Integrated Food Security Phase Classification (IPC) of August 2019, 15.6 million people, representing 26 percent of the rural population analysed, were facing crisis (IPC phase 3) and emergency (IPC phase 4) acute food insecurity.[2]

## WFP operations in DRC

20. At the time of the audit, the Country Office (CO) was implementing the last phase of its Interim Country Strategic Plan (ICSP) 2018–2020 (moving towards a new CSP for 2021–2024), with a focus on responding to large-scale displacement and other shocks while pursuing long-term recovery and resilience activities to address the underlying causes of food insecurity and malnutrition. The ICSP was developed in line with recommendations from the December 2014 country portfolio evaluation, including provisions for the increased use of alternative food assistance modalities and a progressive shift from a purely humanitarian approach towards recovery and resilience building.

21. The ICSP focuses on the following outcomes:

- *Strategic Outcome 1*: Targeted food-insecure populations affected by shocks are able to meet their basic food requirements in times of crisis (activities 1 and 2).
- *Strategic Outcome 2:* Food-insecure and vulnerable populations in conflict and shock-affected areas have improved nutritional status in line with national protocols by 2020 (activities 3, 4 and 5).
- *Strategic Outcome 3:* Smallholder farmers and vulnerable communities in targeted and crisis-prone areas, especially in eastern parts of the country, enhance their productive livelihoods and improve their food

[1] Democratic Republic of Congo - Annual Country Report 2019.
[2] According to the January 2019 Humanitarian Response Plan (HRP), some 12.8 million people, including 5.6 million children under 18, needed humanitarian assistance and protection (nearly 13 percent of the country's total projected population).

security and resilience by 2020 (activities 6 and 7).

- *Strategic Outcome 4*: National institutions have strengthened capacity to reduce food insecurity and malnutrition and respond to shocks by 2020 (activities 8 and 9).
- *Strategic Outcome 5:* The humanitarian community has the capacity to respond to shocks through strategic partnerships by 2020 (activities 10 and 11).

22. Four budget revisions were approved in 2018, 2019 and 2020[3] to scale up WFP's response, with a cumulative needs-based plan value for the entire ICSP duration of USD 1.2 billion in 2019[4] and USD 1.7 billion in 2020, aiming to reach 11.8 and 20.9 million beneficiaries in 2019 and 2020, respectively.

23. In line with the ICSP, WFP provided assistance to populations affected by transitory shocks and conflict using a standardized approach with a 90-day assistance duration in every location (with monthly distribution every 30 days). This approach was agreed by the members of the Inter-Agency Food Security Cluster and food assistance actors in DRC, taking into account the high number of vulnerable populations spread across the country. The CO had been advocating with donors and the Food Security Cluster for a shift towards seasonal assistance and/or the combination of unconditional assistance followed by conditional assistance coupled with livelihood and resilience building activities.

24. Cash-based transfer (CBT) operations in DRC accounted for nearly 23 percent of the ICSP budget (2018–2020), with a needs-based plan of USD 387.7 million and an implementation plan of USD 263.7 million as of 31 December 2019. Cash is delivered to beneficiaries mainly as unrestricted cash (in envelopes) through a financial service provider (FSP) and, at a smaller scale, in vouchers through contracted retailers.

25. At the time of the audit fieldwork, an evaluation of the ICSP by WFP's Office of Evaluation was being finalized. The evaluation assessed actual against planned ICSP results, targets and allocated resources to inform the preparation of the new CSP, which is planned to be presented at the November 2020 Executive Board meeting.

## Objective and scope of the audit

26. 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 DRC. 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.

27. 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 a risk assessment exercise carried out prior to the audit.

28. The scope of the audit included review of high and medium priority-related 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 such as gender and environmental management. The audit covered the period from 1 January to 31 December 2019. Where necessary, transactions and events pertaining to other periods were reviewed.

29. The audit fieldwork took place from 10 to 28 February 2020 at the CO premises in Kinshasa and through onsite visits to selected field offices in Goma (North-Kivu) and Kananga (Kasai).

[3] https://www.wfp.org/operations/cd01-democratic-republic-congo-interim-country-strategic-plan-2018-2020.
[4] Budget Revision 5, February 2019.

# III. Results of the audit

## Audit work and conclusions

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

31. Based on the results of the audit, the Office of Internal Audit (OIGA) has come to an overall conclusion of **partially satisfactory / major improvement needed**.[5] 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.

32. OIGA, in supporting WFP's management's efforts in the areas of gender and environmental risk management, separately reports its assessments or gaps identified in both areas.

## Gender maturity

33. The CO had established a Gender Action Plan covering the ICSP period. Gender inequalities and inequities remained critical issues for WFP in delivering on its strategic outcomes and supporting government priorities in food security. Since October 2016, the CO has piloted the inclusion of the gender and age marker in its assessment of gender tools and has integrated it into all aspects of its operations. As part of its programmatic activities, the CO prioritized women's participation in programme activities and their inclusion as heads of households. In 2019, women represented 54 percent of total beneficiaries. Cross-cutting indicators in the CO's annual country report highlighted the need for further efforts to reach programmatic gender balance.

34. At the time of the audit, the overall representation of women among CO staff was 33 percent, an increase of almost 10 percent since the end of 2017. In an effort to improve the staff gender balance, the CO circulated vacancy announcements through women's networks to encourage applications from women.

## Environmental management

35. In the absence of clear corporate environmental risk management tools and standards (still in draft at the time of the audit), the CO had incorporated elements of environmental screening into its processes, templates, guidelines and training programmes. The CO applied environmental safeguards by carrying out project risk assessments, particularly when donors and other stakeholders required the application of environmental measures in their partnerships. Delays in environmental assessment reporting for resilience are indicated in Observation 6 on programme monitoring and reporting.

[5] 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 scope, observations and priority of agreed actions | Priority of issues/agreed actions |
|---|---|
| **A: Governance and structure** | |
| *1 Organizational structure and staffing* | *High* |
| *2 Risk identification, prioritization, escalation and monitoring* | *Medium* |
| **B: Delivery** | |
| *3 Beneficiary targeting and prioritization* | *High* |
| *4 Data reconciliation of assisted beneficiaries* | *High* |
| *5 Cash-Based Transfer delivery* | *Medium* |
| *6 Programme monitoring and reporting* | *High* |
| *7 Beneficiary data management* | *High* |
| **C: Support functions** | |
| *8 Logistics and transportation* | *Medium* |
| *9 Procurement planning, vendor selection and FSQ aspects* | *Medium* |
| *10 Commodity management* | *Medium* |

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

38. Management has agreed to take measures to address the reported observations.[6] 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.

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

## A: Governance and structure

39. The audit performed tests and reviews of strategic planning and performance including: the effectiveness of mechanisms in place for defining and monitoring CO objectives and emergency response; preparedness to achieve and implement defined objectives in accordance with the ICSP; organizational set-up for effective delivery; internal coordination and relationships with external stakeholders; and mechanisms for oversight and risk management, including fraud prevention and ethical considerations.

40. The FITpool, a list of pre-qualified professionals ready to fill international professional positions wherever needed, was useful in streamlining international professional recruitment for the available types of profiles. The CO had a full-time counsellor to support staff in stress management and, following the latest global staff survey, to develop wellness activities. The CO made efforts to increase the number of women it employed and improve gender balance, resulting in an increase of almost 10 percent over the last two years.

41. During the audit period, the Regional Bureau in Johannesburg (RBJ) carried out oversight missions in the areas of programme, supply chain, finance including CBT, and information technology.

**Observation 1: *Organizational structure and staffing***

42. The CO faced major challenges in attracting qualified personnel, including for international professionals and in key positions for the protracted L3 emergency response and the recent scale up for the EVD response.

43. Key positions were vacant for extended periods, some up to 1.5 years. The CO highlighted difficulties in attracting international professional candidates through corporate mechanisms.[7] Various reassignment exercises did not succeed in filling all open positions, despite prioritized staffing for L3 emergencies as per the Executive Director Memorandum of 2016. Consequently, the CO reverted to external recruitment, downgraded one position to benefit from existing candidates in the FITpool and used retirees on a long-term basis.

44. The EVD response capacity surge was sustained through a large number of national and international Temporary Duty Assignments (TDYs). The average duration of stay for TDYs calculated by the audit was approximately 50 days, with a maximum of 374 days. The CO indicated that, although not systematically tracked, at the onset of the emergency the first wave of TDYs had an average duration of less than 30 days. The rapid turnover of personnel impacted the stability and continuity of operations. This issue was raised in the recent Strategic Evaluation of WFP's Capacity to Respond to Emergencies[8] and the Emergency Division confirmed the set-up of dedicated staff to be rapidly deployed for L3 surge capacity and scale-up of operations, within an initiative to design a new emergency response model, which should address the weaknesses identified in the audit as well. No additional recommendation is therefore necessary.

45. The CO recruited a large number of consultants and national staff during the audit period and many other positions were under recruitment at the time of the fieldwork. Significant delays in filling the positions were noted in the ongoing and finalized recruitments. The CO attributed the delays to the complexity of WFP procedures, including the conflicting priorities of the various stakeholders involved, gender targets and the absence of corporate recruitment timelines for benchmarking and improvement purposes.

46. The CO commissioned a Human Resources (HR) review in the third quarter of 2019, which raised concerns about capacity, skills and contract types. Implementation of the review's recommendations was put on hold in view of the CSP approval expected in 2020 and the need to include the EVD response exit strategy. Various units

[7] Similar issues were noted in other internal audits carried out in recent years, e.g. Internal Audit of WFP Operations in Ethiopia AR/20/05, Internal Audit of WFP Operations in Pakistan AR/19/11.
[8] https://docs.wfp.org/api/documents/WFP-0000112253/download/ and https://docs.wfp.org/api/documents/WFP-0000111609/download/ published in January 2020.

reported concerns about staff capacity and skills given the complexity of operations in the country and with regard to the expected expansion of activities, e.g. following the recent budget revision and resilience funding.

47. A staff skills gap analysis had not been carried out, nor had a consolidated training plan been prepared.

Underlying cause(s): DRC context, costs and living conditions resulting in the duty station not being attractive, and lack of other mechanisms to incentivize applications. Corporate mechanisms for emergency contexts not effective or are yet to be developed for all required grades. Priorities to fill L3 emergency positions not enforced and additional mechanisms yet to be developed. Capacity limitations of the CO's HR Unit, evolving staffing structures and high workloads resulting in the need to prioritize activities. CSP under preparation and cost analysis of HR decisions to be assessed.

**Agreed Actions** [High priority]

1) The CO will:
   i) With the support of RBJ and headquarters technical units as relevant, carry out a workforce assessment, skills gap analysis and formalize a consolidated training plan.
   ii) Reassess the ongoing recruitment plan for relevance also in view of the CSP and confirmation of current open positions; review the estimated timeline and the need for support to implement the plan; and liaise with the headquarters Human Resources Division (HRM) to identify opportunities for streamlining local recruitment processes in the DRC context.

2) HRM, in consultation with relevant headquarters units and the Staffing Committees, will:
   i) Reinforce the prioritized matching of staff members to vacancies in declared L3 emergencies.
   ii) Reassess current mechanisms and identify opportunities to incentivize applications in the DRC context.

**Timeline for implementation**

1) i) 30 September 2020, ii) 31 December 2020.

2) i) and ii) 31 December 2020.

## Observation 2: *Risk identification, prioritization, escalation and monitoring*

*Risk management*

48. At the time of the fieldwork, the CO Risk Register (RR) did not include several internal and external risks which were identified during the audit work and that may significantly impact the achievement of CO objectives. Further, weaknesses were noted in risk identification, assessment, prioritization, definition of actions and monitoring processes. In particular, the RR did not capture fraud and corruption risks related to red flags from the hotline, field operations and other sources.

49. The CO received fraud allegations through various sources, including beneficiary feedback mechanisms. There were inconsistencies in the process for managing and tracking the allegations, lacking structured escalation and visibility of actions taken at different levels. As complaints were managed within the field office programme units, there was a risk that the programmatic perspective prevailed, without proper consideration of other risks, including fraud risks. The review of a sample of complaints received through beneficiary feedback mechanisms highlighted the need for further clarifications on the categorization and reporting of allegations across the CO and through corporate channels. In February, the CO was in the process of implementing the corporate customer relationship management application to manage complaints and feedback received from the various sources.

50. The CO had not prepared: (i) a business continuity plan (BCP) to ensure the continuation of WFP business processes in case of disruptive events; and (ii) an IT disaster recovery plan (DRP) in the CO and sub-offices (SOs) to define priorities and recovery time objectives to restore hardware, applications and data to meet BCP needs.

*Oversight and monitoring of recommendations from missions*

51. Various oversight missions from RBJ and headquarters, and from the CO to field offices were carried out in 2019, raising multiple recommendations addressed to various CO units and/or area offices (AOs) and/or SOs. Among these, important recommendations were raised in the 2019 RBJ Joint Programme/Supply Chain Review of Operational Planning[9] and in the Supply Chain Commodity Accounting. In addition, RBJ oversight missions in 2016 and 2018 raised the same high-priority recommendations relating to the need for insurance coverage for office equipment. The CO's attempts to address these recommendations, up to the audit fieldwork in 2020, including consultation with other UN agencies, were not conclusive.

52. There was no process (including a designated focal point) in place to: (a) prioritize implementation of recommendations from management oversight missions; (b) systematically monitor and track implementation, with the exception of the headquarters non-governmental organization (NGO) partnership management oversight review; and (c) escalate issues related to implementation to the CO management and/or RBJ/headquarters.

53. At the time of the audit, there were six outstanding recommendations from the NGO partnership management oversight review relating, among others, to NGO capacity and fraud risk assessment; tracking of reported irregularities; a web-based platform for uploading documents; and consolidated performance evaluations.

54. The Resource Management Committee met twice in 2019, but it did not include all required staff and functions. Funding levels were discussed during management weekly meetings, the main platform for CO coordination, while gaps were raised and addressed on an ad hoc basis via email. There is a need for a structured and proactive approach in the CO given the expected reduction of EVD funding and the transition to the CSP.

Underlying cause(s): Follow up on management oversight missions not prioritized. Fraud risk owners not specified for clear allocation of roles and responsibilities, including monitoring and updates. Mitigating actions not always specific to address the identified risks. Staff capacity constraints and workload. High level of earmarked funding limiting CO visibility for resource management proactive coordination.

**Agreed Actions** [Medium priority]

The CO will:

i) Reassess and continue updating its risk register to capture all key risks and define effective mitigation actions; and take into account risks identified by oversight reviews, including audit and those associated with fraud allegations.

ii) Establish a centralized process to capture, track and monitor fraud allegations from the various sources; define clear roles and responsibilities for follow up and reporting on fraud allegations; and reinforce awareness of risk escalation requirements within the CO and through corporate mechanisms to the Office of Inspections and Investigations (OIGI).

iii) Prepare and test the BCP and the IT DRP both at the CO and SOs.

iv) Ensure the Resource Management Committee meets on a regular basis and reiterate the importance of attendance at meetings.

v) Define: (a) criteria to prioritize oversight recommendations (based on criticality for example); and (b) a process to designate focal points and monitor implementation of recommendations from oversight missions

[9] The review covered pipeline planning and recommendations to address current issues and challenges, coordination and oversight, as well as implementation and procedural constraints.

including escalation protocols (to CO management, RBJ and/or headquarters) when these recommendations cannot be fully implemented.

**Timeline for implementation**

i) 30 September 2020, ii) 31 July 2020, iii) 31 August 2020, iv) 31 July 2020, v) 30 September 2020.

## B: Delivery

55. The audit performed tests and reviews on key aspects of programme implementation, including beneficiary targeting, verification and validation, Cooperating Partners (CP) management and reporting, and project delivery. The review focused on the CO's crisis response considering the substantial increase in targeted beneficiaries following the latest IPC results and implementation and coordination of the resilience joint project. Other areas of focus were programme monitoring and reporting processes, including implementation of monitoring plans and management of feedback mechanisms.

56. The CO contracted different CPs to carry out beneficiary targeting activities and implement programme activities as a mitigating measure for fraud risks and to ensure checks and balances were present throughout the programme cycle. This was positively received by the donors interviewed.

57. The CO piloted a joint resilience project with FAO, praised by donors, which received further funding for expanding this type of approach. As part of the resilience project, the CO proactively carried out an environmental assessment as corporate guidance had not yet been finalized and rolled out.

58. CPs provided positive feedback on the capacity building activities introduced by the CO to improve their performance and processes, and the continuous communication maintained at the field level.

59. At the time of the audit fieldwork, the CO had started work on strengthening its monitoring and evaluation processes, including the preparation of a strategy and a standard operating procedure (SOP) in line with corporate requirements. A mission from RBJ was ongoing to help identify weaknesses and to define a new monitoring approach.

60. At the time of audit reporting, the CO was in the process of rolling out real-time data de-duplication software to identify duplicate beneficiaries and data entry errors. The CO informed OIGA that its data management and improvement plan resulted in the deactivation of over one million of the 2.65 million beneficiaries in SCOPE.

### Observation 3: *Beneficiary targeting and prioritization*

61. WFP's strategy of providing assistance to populations affected by transitory shocks and conflict, already in place for several years, is a standardized approach agreed with the members of the Inter-Agency Food Security Cluster and food assistance actors in DRC. The duration of the assistance in every location was generally limited to 90 days (with monthly distribution every 30 days). This took into account the high number of vulnerable populations spread across the country's vast geographic areas and allowed for rotation of the beneficiaries assisted. This practice was being reviewed by a headquarters team at the time of the audit, assessing priority, needs and impact against spreading limited resources to a larger number of beneficiaries.

62. Beneficiary targeting was constrained due to the lack of an available and updated government population census, especially in areas identified as severely food insecure. WFP's starting point was the latest IPC, supplemented by its Emergency Food Security Assessments (EFSA), and updated by the regular alerts received from various humanitarian actors in the east of the country and other rapid assessments. Household surveys on geographically targeted areas were carried out through CPs to prioritize beneficiaries according to a four-step food vulnerability scale – extremely vulnerable, very vulnerable, moderately vulnerable and not vulnerable.

*Targeting guidance and communication of targeting criteria*

63. The audit noted that the CO's SOPs on beneficiary targeting and prioritization dated back to 2011. No process was in place to systematically verify information, e.g. on a sample basis, gathered from household surveys, to ensure data reliability. Such a review process (on information collected for targeting) would ensure consistency and quality information across the various CPs engaged for targeting activities. This is even more important given that WFP staff were not always present during targeting activities. At the time of finalizing the audit, the CO indicated that it had initiated the update of the said SOPs.

64. Although the same targeting methodology was to be applied, the two areas reviewed by the audit used different beneficiary prioritization scales to establish beneficiary lists. One area used the standard four-step food vulnerability scale while the other only used one consolidated category for the 'vulnerable' group. This could lead to inconsistent targeting coverage. The review of a sample of beneficiary feedback (ligne verte) reports highlighted that a significant number of the complaints received referred to targeting exclusion.

65. A comprehensive dataset against which to verify household declarations was not available. As a compensating measure, the CO applied a quantitative and statistical targeting approach[10] as a control to mitigate possible manipulation of the eligibility criteria. Communication of the targeting criteria to CPs and beneficiaries needed to be strengthened as different CPs were carrying out beneficiary targeting and distribution activities.

*Review and monitoring of targeting decisions and approach*

66. Targeted beneficiaries did not always have electoral cards and were registered by CPs on the community's validation of their identity. This approach, and errors in the card numbers, impacted the quality and reliability of data in beneficiary distribution lists. The review of SCOPE beneficiary data showed that at least 30,000 beneficiaries did not have an identification card entered in the system. Alternate beneficiaries were not always registered. The CO indicated that it was working on a standardized ration card with photographs to improve the accuracy of beneficiary identification.

67. In one location visited, the audit noted that new beneficiaries were added to the distribution list with the aim of distributing all food items as some beneficiaries on the lists did not attend the distribution. The vulnerability status and eligibility of these new beneficiaries was validated by community representatives on site. Beneficiaries that were absent and those that were added on site were not separately tracked. The SO did not systematically follow up on beneficiaries not attending food distribution/cash collection to trigger a review in cases of significant variances and to identify anomalies in the targeting process. Analysis of the variances was also not initiated for beneficiaries identified through SCOPE and biometric verification. The CO indicated that replacing absent beneficiaries with beneficiaries identified during a distribution was more an exception rather than the norm and occurred when food remained after WFP trucks had left the site.

Underlying cause(s): Outdated targeting SOPs not reflecting the CO's current practices. Staff capacity constraints. Standardized 90-day assistance approach in alignment with Food Security Cluster decisions, and rotation of CPs within the three-month distribution cycle, although the CO had started to advocate for a longer-term assistance period. Ineffective process of reviewing distribution reports against beneficiary lists.

[10] The Proxy Means Testing was used by the CO to score households based on predetermined criteria and determine household eligibility. The statistical and quantitative nature of this approach made it very complicated to explain the targeting criteria to beneficiaries.

**Agreed Actions** [High priority]

The CO will:

i) Update targeting SOPs in line with the corporate interim guidance note on targeting and prioritization of beneficiaries and include processes to:

- ensure review of household targeting results by WFP staff;
- track and review beneficiaries absent during distributions and newly added beneficiaries to identify variances against targeting decisions and to establish parameters to trigger in-depth analyses in cases of significant variances; and
- enforce the accurate collection of electoral card details.

ii) Reassess the need and opportunities for longer assistance cycles and further enhance advocacy.

iii) Enhance communication of targeting criteria to implementing CPs and beneficiaries.

iv) Define a threshold for blanket assistance/distribution for consistent targeting coverage.

**Timeline for implementation**

i) to iii) 31 December 2020, iv) 31 July 2020.

## Observation 4: Data reconciliation of assisted beneficiaries

68. Data reconciliation of assisted beneficiaries is a key control for programme implementation both on the programmatic side, and as a prevention and detection measure of potential fraud, especially considering: (i) the expected surge in the planned caseload from the latest ICSP budget revision; (ii) stricter donor accountability and reporting mechanisms; (iii) the implications of the limited assistance duration of 90 days; and (iv) limited presence of WFP staff during distributions.

69. As observed above, there was no structured reconciliation of planned versus actual beneficiary lists. For general food assistance, where Excel spreadsheets were used, pre-distribution beneficiary lists were not matched against post-distribution lists, which were manually signed by beneficiaries. The CO did not keep consolidated lists of the beneficiaries reached. Further, in the sample reviewed, discrepancies were noted between the number of targeted beneficiaries (in the beneficiary list) and actual assisted beneficiaries in the CP distribution reports.

70. WFP relies on partnerships with the government, NGOs and FSPs for collecting beneficiary data and delivering food and cash assistance, particularly in insecure areas. Beneficiary registration was carried out by CPs under WFP supervision as the processing of beneficiary data is WFP's responsibility. The CO had established both oversight and capacity development activities for its key partners. One AO was engaging different implementing CPs within the three-month assistance cycle as a control to mitigate fraud risks, including collusion and assistance diversion. However, this arrangement entailed other risks, such as inconsistent approaches and practices among implementing CPs, or breaches in confidentiality related to beneficiary feedback/complaints, that required attention.

71. For the CBT modality, implemented in the form of cash in envelopes with an FSP, the contract did not require the FSP to keep records of individual payments and to report on a household basis. As such, reporting was limited to the total number of households paid and the total amount per location. Therefore, no reconciliation had been carried out at the household level for payments in 2019 because independent lists of paid beneficiaries by the FSP were not available. The new FSP contract, finalized in November 2019, addressed these gaps and provides a more effective means of tracking and reporting. The CO indicated it plans to implement household-level reconciliation (planned, assisted and paid beneficiaries) starting in April 2020.

72. The WFP SCOPE system was only used for the CBT modality, with biometric verification available only in certain locations, while in others the verification process was manual and performed jointly by WFP, CP and FSP representatives carrying out the distribution. In February 2020, the CO issued SOPs on CBT beneficiary management, transfer management and reconciliation. These SOPs were designed to standardize the roles of CPs and FSPs in CBT programme implementation.

73. In two sampled locations visited, there was no reconciliation between the data sent by the Programme Unit and the data recorded by the SCOPE IT Team at registration points. More than 150 beneficiaries were registered using identification documents that were different from those used at the targeting stage. The head of household (beneficiary) and alternate (redeemer) were both identified as head in SCOPE, which could inadvertently result in double payments. The CO confirmed this had been the case in one cash distribution in 2019.

74. The lack of a structured review process to verify planned versus actual beneficiaries: (a) limited the CO's knowledge of whether the most vulnerable beneficiaries were actually assisted and the targeting objectives met; (b) exposed the distribution process to the risk of manipulation and diversion of assistance; and (c) impacted the validity and reliability of baseline numbers, as variances were not analysed before feeding into the consolidation and reporting process of assisted beneficiaries.

75. During the reporting phase, the CO indicated it had started to revise the in-kind distribution process, procedures and training, aiming to strengthen the management of distribution lists and the identification of risks and mitigating measures.

Underlying cause(s): Insufficient awareness of the importance of systematic reconciliation for mitigating risks in the context of programme implementation. Heavy manual process for general food assistance. Lack of guidance to review beneficiary lists against distribution reports. Staff capacity constraints. Household-level reconciliation not considered in the design and (previous) FSP contracting process resulting in no obligation for the FSP to keep records of individual payments and to report on a household basis.

**Agreed Actions** [High priority]

The CO will:

i) Establish a reconciliation process to verify planned against actual beneficiaries assisted. The process should define and delineate the roles, responsibilities and operating modalities of internal stakeholders (relevant units and focal points) and external stakeholders (CPs, FSPs).

ii) Train relevant employees on this process and raise awareness of its importance in mitigating programme implementation risks, particularly fraud risks.

iii) Assess the possibility, including a cost–benefit analysis, of extending the use of SCOPE to all types of programmatic delivery, also for advocacy purposes with donors.

**Timeline for implementation**

i) to iii) 31 December 2020.

## Observation 5: Cash-Based Transfer delivery

76. In 2019, the CO distributed USD 40 million (7 percent of its annual expenditure) via the CBT modality – in particular cash in envelope through an FSP – for its crisis response, malnutrition prevention and resilience projects. In February 2020, the CO was in the process of reviewing current FSP contract modalities and contracting a new FSP to distribute cash through mobile money, partially replacing the cash in envelope mechanism.

77. The audit noted that, during the audit period, insufficient market assessments and lack of cost–benefit analysis from the outset had impacted the delivery of assistance. Not all the required multi-sectorial assessments were available to support the choice of modality and intervention set-up in all CBT locations. In addition, the ex-ante analysis of cost efficiency and effectiveness that should guide decision making of the most appropriate transfer modalities and mechanisms had not been conducted. The CO indicated that it did not consider extending the analysis beyond key areas and relied on monthly price data monitoring.

78. The audit's review of the headquarters-led FSP due diligence and contracting process highlighted significant gaps related to the CO's expertise (national versus international officers); participation and input of relevant functional units in meetings with FSPs; and the completeness of the analysis carried out (e.g. cybersecurity aspects, testing of the FSP IT systems). A new due diligence methodology developed by the Corporate Finance Division (FIN) was piloted in DRC and was subsequently refined to include more operational aspects such as verifications to be carried out. However, the methodology is unclear on the expertise required to conduct such assessments of FSPs. Following an audit in Niger,[11] a corporate observation was raised in June 2019 to "expedite the introduction of the revised MiFA tool along with the guidance to further enhance risk identification of an FSP during the selection and contracting process". Such improvements had yet to be implemented by the responsible corporate function at the time of the audit.

Underlying cause(s): Donors preferences, budget and time constraints to carry out CBT assessments for all locations resulting in de-prioritization of assessment activities. Staffing constraints, including extended vacancy of the head of Monitoring and Evaluation. Corporate due diligence methodology not finalized at the time of the due diligence mission.

**Agreed Actions** [Medium priority]

The CO will:

i) Prioritize areas of intervention and update assessments in line with corporate requirements to support a risk-based CBT strategy for the new CSP and to inform donors; for non-priority areas, liaise with headquarters units as necessary, and implement a structured process that, leveraging market monitoring and price data collection processes, will identify red flags and trigger the need for review of the intervention modality.

ii) Carry out a cost–benefit analysis, and advocate with donors as necessary, to roll out biometric verification in all CBT locations. Where biometric verification is not feasible, reassess the risks associated with the intervention set-up, and consider the involvement of WFP staff trained to observe the distribution and validate distribution reports.

**Timeline for implementation**

i) and ii) 31 December 2020.

## Observation 6: *Programme monitoring and reporting*

79. The CO did not have a monitoring strategy and structured framework defining monitoring objectives, processes, roles and responsibilities. There were shortcomings in the planning and implementation of monitoring activities, with inconsistency noted in data quality, practices, methodologies and frequencies. This raised concern about how monitoring information was analysed, escalated and utilized to inform decision making.

[11] Report No. AR/19/13 – Observation 2.

*Monitoring planning and coverage*

80. The monitoring plan was prepared at SO/AO level and consolidated at CO level for all SOs; however, there was no systematic review and analysis of planned versus completed activities until January 2020. The review highlighted gaps in implementation of the monitoring plan, with less than 1 percent of the planned visits conducted for some activities in the Goma AO.

81. While the Minimum Monitoring Requirements (MMR) establish common criteria for planning, coverage, baselines, data collection and frequency, in all the locations sampled for the audit, the preparation of the 2019 monitoring plans did not systematically follow these requirements and the audit noted significant deviations in tested areas.

*Monitoring execution, including data validation and reporting*

82. WFP staff who were present at distribution sites to monitor activities were not always Monitoring and Evaluation (M&E) staff or trained to collect data with the appropriate monitoring tools. As a result, monitoring activities were not adequately planned and reported, and the monitoring reports generated were not consistently and systematically analysed.

83. The reconciliation of distribution plans and monitoring reports was not systematic. In a sample of reports from the CO, the auditors could not verify or crosscheck information reported by CPs against distribution planning figures, actual physical counts and data reported through monitoring reports. Issues raised from the monitoring of distributions were discussed in meetings with the CPs; however, a structured process/tools were not in place to aggregate and analyse data and to identify, escalate and follow up on trends, risks and issues to inform programmatic decisions and strengthen internal controls.

84. The CO was implementing a joint resilience project and there were delays in measuring the annual targets and reporting on the outcomes and results that were due to the donor by the end of January. Key Performance Indicators (KPIs) were not reflected in the Country Office Tool for Managing Programme Operations Effectively (COMET) and reported at the corporate level, leading to an understatement of the CO's and, in turn, WFP's achievements and the impact of its resilience activities.[12]

*Feedback and complaints management and reporting and escalation of issues*

85. The CO operates a toll-free beneficiary feedback hotline that receives an average of 10,000 calls per month. Other complementary channels have been established to capture feedback and/or complaints at distribution sites, including boxes and Distribution Complaints Committees. The process in place to analyse, categorize, prioritize, escalate and follow up on the issues collected from the various sources was not comprehensive and consistent, providing limited input into programmatic decision making. Issues reported by SOs were discussed during monthly meetings with CPs. However, periodic reporting on monitoring results was not in place to share information about activities carried out, or results and issues across the CO. At the time of the fieldwork, the CO was working on implementing an automated solution for managing feedback and complaints.

Underlying cause(s): Staffing constraints, including 1.5-year vacancy of the Head of M&E position. Insufficient oversight of SO monitoring activities, results and feedback. Insufficient guidance and training for monitoring and reporting considerations. DRC's vast territory combined with limited infrastructure, and large number of distribution points, without a plan to address limited resources and coverage constraints and to ensure prioritization of monitoring activities.

[12] An observation and relative agreed actions on the availability at corporate level of indicators to select and track, including for resilience activities, was raised in the Internal Audit of Monitoring in WFP, AR/18/11.

**Agreed Actions** [High priority]

The CO will:

i) Finalize the monitoring strategy, including guidelines and SOPs as relevant.

ii) Prepare a monitoring plan taking into account all ICSP activities, reporting requirements and timelines, minimum monitoring requirements and coverage targets, information sources, sampling methodologies and required human resources.

iii) Establish periodic follow up and reporting on monitoring activity implementation status and results.

iv) Develop a mechanism to systematically triangulate information and data obtained from different sources, such as distribution reports for analysis and follow-up.

v) Establish a systematic process for consolidating, categorizing, prioritizing, analysing, escalating and following up of monitoring issues.

vi) Finalize the calculation of resilience KPIs for donor reporting and reassess the need for reflecting resilience KPIs reported to donors in corporate systems.

**Timeline for implementation**

i) to vi) 31 December 2020.

**Observation 7: *Beneficiary data management***

86. SCOPE is WFP's platform for beneficiary registration, distribution planning, transfers and distribution reporting. The audit noted issues regarding beneficiary and transfer management via SCOPE and data privacy.

*SCOPE – governance, data quality and security, data sharing agreements and user management*

87. A total of 2.65 million CBT beneficiaries were recorded in the DRC CO SCOPE platform as of February 2020, of which 2.63 million were classified as active beneficiaries in the system. The bulk of beneficiary data in the system dated back to the 2016 migration exercise, where the data was not properly reviewed, checked for completeness and validated prior to its migration into SCOPE. The audit assessed that less than 50 percent of the beneficiaries could actually be considered active.

88. The de-duplication process is an essential step to ensure entitlements are provided to beneficiaries only once in any given distribution cycle. The review of SCOPE data showed duplicate households (11,000), electoral cards (1,949), individuals (2050) and fingerprints (25,000[13]). Eighty percent of the sampled duplicated fingerprints related either to individuals registered under different names, or to different individuals with different names and identification signs. In one sampled location, beneficiaries with the same name and date of birth were registered as Head (of household) and Alternate in different regions, with different dependants and spouses. Analysis of such data, variations and exceptions was not performed in a timely manner by the CO. The CO agreed about the risk of double/multiple payments and was in the process of identifying the root causes. At the time of audit reporting, the CO indicated it had procured and was rolling out real-time data de-duplication software.

89. There were other exceptions or inconsistencies in the SCOPE data reviewed by the audit, such as several cases with unreasonable age of beneficiaries or number of dependents (the highest instance being 97), and missing dependants' names and identification numbers. Following the audit mission, the CO indicated that it had started

[13] This check was carried out utilizing two different testing approaches, resulting in approximately 23,000 and 2,000 duplications respectively.

to review data to purge inactive beneficiaries and to address quality issues. An SOP on biometric de-duplication was being drafted.

90. For the CBT modality, payment lists were generated from SCOPE into Excel files and shared with the FSP through secure file transfer mechanisms. Separate FSP reporting on paid beneficiaries was not in place, and the CO was working to introduce this under the new FSP contract, ongoing at the time of the audit fieldwork.

91. Several SCOPE users in the CO had two or more associated roles (in the distribution planning, payment list and/or retailer processes) which were incompatible from a segregation of duties perspective.

*Beneficiary data management for in-kind assistance*

92. The CO did not use SCOPE for beneficiary data management of in-kind assistance: Excel files were maintained instead. Inconsistencies in beneficiary data were also found in the distribution reports sampled. Excel files prepared by SOs and shared with CPs were not protected (such as password protection, encryption or secure file transfer protocols) thereby exposing sensitive beneficiary information to potential confidentiality breaches, and/or unauthorized changes.

93. One CP registered beneficiaries through its own data processing system before the data was transferred to WFP. The CP system had not been assessed to mitigate the risks of unauthorized access and inappropriate use of beneficiary data; its use was not covered by a data sharing agreement; and CP staff were not adequately trained on and aware of WFP's data confidentiality, data security, access and retention policies. At the time of the audit, discussions were ongoing at the corporate level with the CP to integrate the Field Level Agreement (FLA) template with relevant provisions on data protection and sharing.

*Beneficiary data privacy*

94. At the time of the audit, the CO had not carried out a privacy impact assessment (PIA) for the use of beneficiary data for both CBT and in-kind activities as required by corporate guidance on protection of beneficiaries' personal data.

Underlying cause(s): Absence of a data governance working group involving both Programme and IT units for oversight and ownership of beneficiary data management. SCOPE implementation without a strategy and business transformation process to: (a) validate and ensure procedures; (b) define roles and responsibilities; and (c) take full advantage of SCOPE capabilities. SOPs for beneficiary identity management and data validation not comprehensive and effective. Unclear corporate guidelines on data privacy and sharing agreements. Update of SCOPE user roles and responsibilities not completed in a timely manner.

**Agreed Actions** [High priority]

The CO will:

i) Establish a data working group to ensure: (a) a coordinated approach to data governance; (b) data-driven decision making; and (c) regular follow-up on gaps from data analyses to understand the root causes of differences identified and make necessary adjustments.

ii) Articulate an action plan with objectives, activities, and roles and responsibilities to update and clean up beneficiary data in SCOPE.

iii) Define processes and carry out quality tests on data collected prior to its integration into SCOPE.

iv) Review the list of CO roles and potential issues with segregation of duties.

v) Conduct a PIA to evaluate compliance with corporate guidelines and determine what measures are in place to protect the confidentiality of beneficiary personal data; and in the absence of a corporate solution, coordinate with the WFP Legal Office to include a specific data sharing agreement clause in FLAs, especially when the CP relies on its own system for data collection.

vi) In coordination with the Technology Division (TEC), explore possibilities for the automated and secure exchange of payment instructions and FSP reports between the CO and FSPs through SCOPE, or interfacing with SCOPE.

**Timeline for implementation**

i) to vi) 31 December 2020.

## C: Support functions

95. The audit reviewed the key processes and decisions related to the CO's logistics and transport management, including governance; the selection of transportation and contracting modalities; fleet management; warehousing; and commodity management. The audit also reviewed security management and performed tests on the procurement process, from planning to the creation of rosters and selection of vendors with a focus on due diligence and vetting of suppliers, decision-making processes and delegation of authorities.

96. During the audit period, RBJ carried out oversight and support missions on supply chain activities, including logistics, commodity management and accounting. The CO had started to address the recommendations raised by those missions.

**Observation 8: *Logistics and transportation***

97. DRC's vast territory, the lack of proper road networks and insecurity limit access to vulnerable areas and increase operating costs, a challenge for the CO's logistics function and for implementation of humanitarian operations. The review of key processes and decisions in logistics and transport management indicated shortcomings in the areas of governance, contracting modalities (including fleet management), and the selection and management of transporters as detailed below.

*Operational set up and contracting modalities*

98. The Logistics Capacity Assessment, which provides a comprehensive logistics report for DRC, had not been updated since 2015. At the time of the audit fieldwork, the CO indicated that it was planning to complete this activity by the end of 2020.

99. The CO had carried out local market assessments in some locations to provide logistic and transportation information; however, these assessments were not in-depth market analysis, and had limited reference to the transport infrastructure (including access and security constraints), existing transporters and capacity, market segmentation (including by regions within DRC) and competition pressures.

100. The tariff system contracting modality had not been reviewed since its inception ten years ago. Changes and risks associated with its repeated use had not been assessed since, including high transport rates. In addition, the allocation of transport loads to accredited transporters was carried out and reviewed at field office level. It was not supported by sufficient documentation and notes, nor approved by the required managerial levels as required by the WFP transport manual.

101. The CO was using a mix of commercial and WFP fleets to provide inland transport of commodities. The CO had 98 trucks, of which 26 were out-of-order during the audit fieldwork, and in 2019, the overall utilization rate was 42 percent. In recent years, the CO had not conducted a cost–benefit analysis to assess and inform decisions about the use of WFP's own fleet against outsourced transport operations. The CO was recruiting a dedicated fleet manager at the time of the audit.

*Transporters selection and contract management*

102. In the Goma AO, there were gaps in vetting and managing the transporters. Vetting was not always based on comprehensive qualitative and financial analysis, and information provided by transporters as part of the due diligence exercise was not always complete and accurate. The transporter performance assessment was based on a checklist with a few questions, as the AO did not use the corporate template which provides a more detailed assessment of transporter capacity and activities.

103. In four instances, the AO did not deduct transport losses incurred during its trip to the distribution points from the transporters' invoices. Although the financial losses identified were not material, there needs to be a systematic verification of losses reported in waybills and subsequent deduction from invoices. Contract clauses, such as daily tracking of trucks, were not systematically applied, leading to delays in monitoring and following up on late deliveries. In several cases, it took between a week and one month to notify the transporters of late deliveries. This had an impact on both programme activities and the CPs' fixed costs.

Underlying cause(s): Staffing constraints and workload resulting in de-prioritization of activities and oversight on supply chain operations. Limited monitoring of contract clauses with transporters and lack of oversight on invoice payment. Non-compliance with WFP policies. Absence of a fleet management strategy to assess current transport capabilities and improve overall efficiency of operations.

**Agreed Actions** [Medium priority]

The CO will:

i) Finalize the update of the Logistic Capacity Assessment and review transport market assessments for the different regions in partnership with the Logistic Cluster.

ii) Review the tariff system and strengthen monitoring and analysis of the use of tariff system contracting by field offices, including approvals of the process by the appropriate level of management.

iii) Ensure effective implementation of the minimum requirements for the due diligence exercise on shortlisted transporters before contracting.

iv) Update a comprehensive review/benchmark exercise of WFP fleet management modalities for transport services.

v) Reinforce the process to systematically verify losses as reported in waybills and account for loss value in subsequent deduction from transporters' invoices and continue tracking and monitoring the daily tracking of trucks at SO levels.

**Timeline for implementation**

i) 30 September 2020, ii) 30 April 2021, iii) 31 December 2020, iv) 30 November 2020, v) 31 December 2020.

**Observation 9: *Procurement planning, vendor selection and FSQ aspects***

104. During 2019, local procurement amounted to approximately USD 90 million, of which goods and services (G&S) procurement was 28 percent (USD 26.8 million).

105. During the audit period, there was no structured planning process for the procurement of G&S. The CO had prepared the 2019 procurement plan; however, the plan was not operationalized to maximize economies of scale in sourcing, minimize transaction costs and ensure efficient use of resources. The CO indicated it was starting a spending analysis exercise to drive preparation of 2020 planning by April 2020.

106. The G&S vendor roster in use dated back to 2015 and had not been updated with a comprehensive market analysis. Ad hoc market surveys were carried out during the year. The absence of an updated and approved vendor

roster, in an emergency context, increased the risk of contracting and procuring from non-qualified or vendors who were not properly assessed. The CO indicated it was planning to carry out the market assessment and update the G&S roster by August 2020.

107. The CO had a decentralized set-up, with delegation of authority for G&S at field level to expedite procurement within a limited value (USD 10,000 per transaction) in the emergency context. During the audit period, the Supply Chain Unit carried out remote monitoring of field offices' procurement. This did not include identifying possible exceptions to compliance with WFP rules based on systematic analysis of data.

108. The review of a sample of food procurement transactions highlighted that smallholder farmers, from whom the CO procured less than one percent of its cereals and pulses, were not assessed by the CO Procurement Team or by the food technologist to ensure their compliance with WFP food safety and quality (FSQ) standards.

109. The CO was not able to carry out the corporate mandatory test (Aflatoxin[14]) for FSQ because of the limited infrastructure in the country.

Underlying cause(s): Staffing and resource constraints impacting prioritization and capacity to implement quality controls. Insufficient laboratory testing capacity in the country.

**Agreed Actions** [Medium priority]

The CO will

i) Finalize the consolidated procurement plan for 2020, reflecting spending analysis and input from all units, and enforce its use for a proactive sourcing approach.

ii) Expedite the procurement market analysis exercise and update the current vendor roster as per corporate guidelines.

iii) Assess opportunities to introduce data analytics for effective and systematic monitoring and oversight of procurement processes at the SO level.

iv) Assess the opportunity to establish food technical expertise at the CO level and ensure expert involvement in carrying out capacity assessments of the smallholder farmer vendors and their compliance with FSQ standards, and to identify suitable alternatives to perform all corporate mandatory FSQ tests.

**Timeline for implementation**

i) 31 July 2020, ii) 31 December 2020, iii) 31 October 2020, iv) 31 May 2021.

## Observation 10: Commodity management

110. At the onset of the EVD emergency, the CO had reverted to manual waybills, instead of using the Logistics Execution Support System (LESS) as funding was not available in the system, thus creating offline commitments. Monthly reconciliations of commodity records in LESS and COMET were not performed regularly throughout 2019, with a risk of untimely identification and correction of discrepancies and possible anomalies. To prevent delays in the year-end reconciliation, the CO had organized LESS training for relevant staff and prepared a list of partner customer numbers for LESS recording. The CO was also in the process of finalizing an SOP on LESS/COMET

[14] According to the food procurement manual, testing for Aflatoxin is mandatory for all maize and maize products to make sure that maize comply with the maximum mycotoxin limits established by the Codex Alimentarius Commission for this commodity (Total Aflatoxins (B1+B2+G1+G2) shall not exceed 20ppb).

reconciliation. Despite these efforts, reconciliation had not yet been completed at the time of the audit fieldwork, in February 2020.

111. While visiting a distribution site in Kananga, the audit noted that some of the distributed bags had a short expiry date (less than 15 days). The CO explained that the commodities had been incorrectly stacked and as such had been monitored based on a later expiry date. This could lead to an increased risk of expired commodities being distributed should these not be consumed right away. To remedy the issue, the CO indicated it planned to roll out LESS training to all AOs in March 2020.

112. The field visits to warehouses highlighted: (i) inadequate safekeeping of the warehouse keys in Goma, managed by only one staff member; and (ii) roof leakages in Kananga with SO staff needing to cover the food to prevent it spoiling. The SO indicated it had arranged for repairs to the roof in March 2020.

Underlying cause(s): Cumbersome exercise to reconcile data between LESS and COMET. Staff capacity constraints and workload following the EVD emergency response. Limited awareness of risks from inadequate warehouse security.

**Agreed Actions** [Medium priority]

The CO will:

i) Finalize the LESS/COMET reconciliation process and preparation of SOPs to guide the reconciliation exercise in the future.

ii) Reassess the process and procedure for correct stacking and accounting of commodities, including tracking and monitoring shelf-life, and roll out LESS training to warehouse staff.

iii) Reassess the procedure for safekeeping of warehouse keys.

iv) Finalize the repairs to the roof in the warehouse in Kananga.

**Timeline for implementation**

i) to iv) 30 November 2020.

# Annex A – Summary of observations

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

| | | Categories for aggregation and analysis: | | | | |
|---|---|---|---|---|---|---|
| **High priority observations** | | **WFP's Internal Audit Universe** | **WFP's Governance, Risk & Control logic:** **Risks (ERM)** | **Processes (GRC)** | **Implementation lead** | **Due date(s)** |
| 1 | Organizational structure and staffing | Governance | Governance & oversight risks | Human resources | CO<br><br>HRM | 1i) 30 September 2020<br>1ii) 31 December 2020<br>2) i) and ii) 31 December 2020 |
| 3 | Beneficiary targeting and prioritization | Beneficiary management | Programme risks | Beneficiaries management | CO | i) to iii) 31 December 2020<br>iv) 31 July 2020 |
| 4 | Data reconciliation of assisted beneficiaries | Beneficiary management | Business process risks | Beneficiaries management | CO | i) to iii) 31 December 2020 |
| 6 | Programme monitoring and reporting | Monitoring & evaluation | Programme risks | Performance management | CO | i) to vi) 31 December 2020 |
| 7 | Beneficiary data management | Beneficiary management | IT & Communications risks | Technology | CO | i) to vi) 31 December 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)** |
| 2 | Risk identification, prioritization, escalation and monitoring | Operational risk | Governance & oversight risks | Risk management | CO | i) 30 September 2020<br>ii) 31 July 2020<br>iii) 31 August 2020<br>iv) 31 July 2020<br>v) 30 September 2020 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5 | Cash-Based Transfer delivery | CBT | Fraud and corruption | Beneficiaries management | CO | i) and ii) 31 December 2020 |
| 8 | Logistics and transportation | Overseas & landside transport | Partner and vendor risks | Transportation | CO | i) 31 December 2020<br>ii) 30 April 2021<br>iii) 31 December 2020<br>iv) 30 November 2020<br>v) 31 December 2020 |
| 9 | Procurement planning, vendor selection and FSQ aspects | Procurement - food | Business process risks | Non food items | CO | i) 31 July 2020<br>ii) 31 December 2020<br>iii) 31 October 2020<br>iv) 31 May 2021 |
| 10 | Commodity management | Commodity management | Fraud and corruption | Warehousing | CO | i) to iv) 30 November 2020 |

# Annex B – Definitions of audit terms: ratings and 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 objectives of the audited entity/area should be achieved.<br>Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area.<br>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.<br>Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area.<br>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.<br>Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.<br>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.[15]

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

## 3 Categorization by WFP's audit universe

WFP's audit universe[16] 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 2020 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,[17] and began preparations for the launch of a risk management system (Governance, Risk & Compliance – GRC – system solution).

[15] 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.
[16] A separately existing universe for information technology with 60 entities, processes and applications is currently under review, its content is summarized for categorization purposes in section F of table B.3.
[17] WFP/EB.2/2018/5-C

As a means to facilitate the testing and roll-out of the GRC system, audit observations are mapped to the new risk and process categorizations as introduced by the Chief Risk Officer 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 |
| 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 mobilization 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 actions 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 it 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

| | |
|---|---|
| AO | Area Office |
| BCP | Business Continuity Plan |
| CBT | Cash-Based Transfer |
| CO | County Office |
| COMET | WFP Country Office Tool for Managing Programme Operations |
| CP | Cooperating Partner |
| CSP | Country Strategic Plan |
| DRP | Disaster Recovery Plan |
| EVD | Ebola Virus Disease |
| FAO | Food and Agriculture Organization of the United Nations |
| FLA | Field Level Agreement |
| FSP | Financial Service Provider |
| FSQ | Food Safety and Quality |
| G&S | Goods and Services |
| HR | Human Resources |
| HRM | WFP Human Resources Division |
| HRP | Humanitarian Response Plan |
| ICSP | Interim Country Strategic Plan |
| IPC | Integrated Food Security Phase Classification |
| KPI | Key Performance Indicator |
| L3 | Level Three Emergency |
| LEG | WFP Legal Office |
| LESS | WFP Logistic Execution Support System |
| M&E | Monitoring and Evaluation |
| NGO | Non-governmental organization |
| OIGA | Office of the Inspector General Internal Audit |
| PIA | Privacy Impact Assessment |

| | |
|---|---|
| RB | Regional Bureau |
| RBJ | Regional Bureau Johannesburg |
| RR | Risk Register |
| SCOPE | WFP beneficiary information and transfer management platform |
| SO | Sub-office |
| SOP | Standard Operating Procedure |
| TDY | Temporary Duty Assignment |
| TOR | Terms of Reference |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations International Children's Emergency Fund |
| USD | United States Dollar |
| WFP | World Food Programme |