

Internal Audit of WFP Operations in Ghana

Office of the Inspector General
Internal Audit Report AR/21/10

Contents

	Page
I. Executive Summary	3
II. Country context and audit scope	5
III. Results of the audit	7
Annex A – Agreed action plan	21
Annex B – Definitions of audit terms: ratings & priority	22
Annex C – Acronyms	24

I. Executive Summary

WFP Ghana Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Ghana that focused on beneficiary management, cash-based transfers, monitoring, supply chain and finance covering the period from 1 January 2020 to 31 March 2021. The audit team conducted the fieldwork remotely because of COVID-19 restrictions. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

2. Operations in Ghana, as defined in the Country Strategic Plan 2019–2023, focus on direct food assistance using commodity vouchers to improve the nutritional status of targeted populations in line with national targets. WFP also supports nutritional value chains using a market-based approach to ensure efficient and resilient food systems in vulnerable communities; and provides capacity strengthening interventions to manage food security, nutrition and social protection programmes. Expenditures pertaining to the strategic plan activities from 1 January to 31 December 2020 amounted to USD 5.9 million.

3. The audit focused on programme implementation under Strategic Outcome 1 of the strategic plan "Vulnerable populations including children and women of reproductive age in high burden regions have improved nutrition status in line with national targets by 2025"; Strategic Outcome 2 "Targeted populations and communities in Ghana benefit from more efficient, inclusive and resilient food systems that support nutrition value chains by 2030"; and Strategic Outcome 5, "Crisis-affected populations are able to meet their basic food and nutrition needs during and in the aftermath of shocks". Together, activities in these areas made up 91 percent of the actual strategic plan expenditure in 2020.

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**¹. 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.

Achievements and areas operating effectively

5. The country office was able to immediately respond to the government's needs by revising its strategic plan in May 2020 to introduce a new strategic outcome focusing on crisis response. This enabled WFP to support Ghana's COVID-19 emergency response by scaling up its mobile money intervention in coordination with a government agency to support vulnerable communities most affected by the pandemic. WFP also provided financial and technical support to the government in responding to the COVID-19 emergency such as setting up the humanitarian air services hub and field hospital for humanitarian staff. The audit received positive feedback from two key government partners and a food commodity supplier on their relationships and coordination with the country office.

6. The country office had instituted a remote calling initiative for one of the nutrition programme's components. At the time of the audit the initiative, which started in January 2020, had reached out to 485 pregnant and lactating women and 781 caregivers in the two main regions covered by the programme for their feedback on nutrition counselling by the government partner, the quantities and quality of food commodities received, and COVID-19 safety and prevention protocols experienced at health facilities.

¹ See Annex B for definitions of audit terms.

7. In line with its technical assistance to local food processors, the country office performed and coordinated food safety and quality assessments, annual audits and monitoring of two of its key food suppliers. This support has allowed to secure the local availability of specialized nutritious food not only for the stunting prevention intervention but was also distributed to some hospitalized COVID-19 patients. The country office's Food Incident Management Committee was functioning effectively. Key controls related to Finance were operating effectively and there was strong staff capacity in this key functional area.

Main areas for improvement

8. Ghana represents a niche and innovative operational context for WFP, in which the government is the country office's key implementing partner and market-based interventions are implemented through public-private partnerships and cash-based transfers (commodity vouchers). The relatively small country portfolio, focusing on the delivery of specialized nutritious and high-risk commodities as well as technical assistance, does not have corporate visibility. With no clear and cohesive corporate framework to apply to some of its key activities, combined with a high risk appetite to deliver its innovative programmes, the country office was not able to adequately mitigate its risk exposure through appropriate oversight, delegation of authority, and having updated contractual arrangements, especially impacts on programme objectives. Country office operational complexities and challenges, especially the lack of right capacities in programme monitoring and cash-based transfer operations, had not been articulated and addressed which impacted the various functional areas reviewed. Despite implementing capacity strengthening and innovative interventions with associated high levels of risk, key controls were not embedded in processes and there were inconsistent practices in the way key functional areas were managed as the country office did not have documented and approved standard operating procedures.

9. The country office faced challenges in managing various aspects of contract administration necessary to comply with legal and regulatory requirements, optimize operational and financial performance, manage contract volumes and complexities, and address compliance needs. Some key controls related to cash-based transfer delegations of authority and delivery were not operating effectively due to insufficient capacity combined with a lack of oversight and support for their implementation.

10. There was no high-level distribution plan, thereby preventing reconciliation of planned versus actual assistance transferred. The country office did not carry out independent validation of beneficiaries to confirm eligibility with targeting criteria and did not exercise proper controls over payments instruments and transfer reconciliations.

11. The monitoring strategy was not updated to align with the strategic plan's monitoring requirements and did not define objectives, processes and roles and responsibilities. There was no comprehensive assessment of the monitoring unit's staffing level, structure and capacity development resulting in sub-optimal staffing capacity and gaps in planning, prioritizing and implementing program monitoring activities.

12. While recognizing management's efforts in starting to address several areas for improvement identified, the audit rating reflects the performance of the country office for the audited period when recent improvements were not in place and their operating effectiveness could not yet be tested and confirmed.

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

II. Country context and audit scope

Ghana

15. Ghana is a lower middle-income and food-deficit country, with an estimated population of 31.1 million and a gross domestic product per capita in 2019 of USD 2,220. Despite progress in recent years in reducing acute malnutrition and stunting at the national level, high rates of poverty and stunting persist in the Northern Savannah Ecological Zone, at 21 and 31 percent respectively. The March 2020 Cadre Harmonisé indicated 21,712 people were food insecure during the lean season (June-August 2020)².

16. The priorities of WFP's first country strategic plan (CSP) covering the period 2019-2023 are in line with the findings of the Ghana zero hunger strategic review; interventions focus on direct food assistance using commodity vouchers and social behaviour change communication (SBCC) to improve the nutritional status of targeted populations, in line with national targets. The country office (CO) also aims to ensure vulnerable communities benefit from: (a) efficient and resilient food systems which support nutritional value chains; (b) capacity strengthening interventions to manage food security, nutrition and social protection programmes; and (c) advocacy and coherent policy frameworks support to key cooperating partners.

WFP operations in Ghana

17. Ghana represents a niche and innovative operational context for WFP. The government is WFP's key implementing partner in the country, leading all policy processes and organizational arrangements at national and regional levels. The CO implements all CSP activities in partnership with national institutions, ministries and specialized agencies. Moreover, the nature of interventions differs from those of most other WFP country operations in that they aim to support market-based approaches to: (a) improve nutrition through public-private partnerships to enhance local processing capacity for fortified nutritious foods; (b) create demand for locally produced fortified and other nutritious foods; and (c) encourage adherence to health services during the first 1,000 days of a child's life to prevent stunting and micronutrient deficiencies.

18. A CSP budget revision approved in May 2020 introduced a new Strategic Outcome (SO) focusing on crisis response which is intended to enable the CO to respond to crises such as the COVID-19 pandemic and potential influxes of refugees from neighbouring countries due to political instability and other crisis. The revision increased the CSP budget by USD 22 million with 100,000 additional beneficiaries.

19. In 2020, the CO assisted a total of 121,683 people through two cash-based transfer modalities: (i) commodity vouchers (53,372 people; USD 1.5 million) under activity 1; and (ii) cash transfers (68,311 people; USD 1.2 million) under activity 6. At the onset of the COVID-19 pandemic, the critical programmes (SOs 1 and 5) were prioritized for implementation as these directly impacted the food security and nutrition needs of the vulnerable population. To ensure a safe and effective programme implementation in light of the COVID-19 period, the CO implemented new risk mitigation measures including: the activation of a Business Continuity Plan; enhanced liaison and coordination with stakeholders; increased remote monitoring, and supervision; and consolidation of several distribution cycles.

20. WFP provided financial and technical support to the government to support Ghana's COVID-19 emergency response which included: (a) enhanced SBCC on COVID-19 prevention to existing beneficiaries; (b) food security and price monitoring data collection covering 32 districts³; (c) comprehensive food security and vulnerability assessment to evaluate the pandemic's impact on food security; (d) cash transfers to daily wage earners and smallholder farmers and nutrition support to COVID-19 patients; and (e) setting up the humanitarian air services hub and field hospital for humanitarian staff.

² WFP Ghana Country Brief. October 2020.

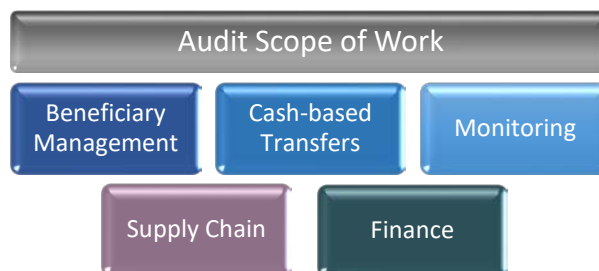
³ The CO has been issuing quarterly bulletins on food security and the nutrition situation since April 2020 and a request for support from the government has been received to scale this up to newly identified food insecure districts.

Objective and scope of the audit

21. 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 Ghana. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director (ED) on governance, risk management and internal control processes. The audit fieldwork took place between 6 and 30 April 2021 and was completed remotely due to COVID-19 restrictions.

22. The Office of Internal Audit (OIGA) developed a new audit approach for 2021 to adapt to COVID-19 constraints, while increasing its audit coverage of country operations and providing assurance on five key areas of the end-to-end CO delivery process. In this audit, the five functional areas of focus were:

- Beneficiary management.
- Cash-based transfers (CBT).
- Supply chain – focusing on procurement of goods and services and food safety and quality controls, especially relating to specialized nutritious foods and high-risk commodities. (The CO has no logistics and warehousing activities).
- Finance.
- Monitoring.



23. The audit focused on activities under SOs 1, 2 and 5 of the CO's 2019-2023 CSP, which represented: (a) 91 percent (USD 5.4 million) of the actual CSP expenditure for 2020, totaling USD 5.9 million; and (b) 100 percent of the beneficiaries (121,683) reached with food and nutrition assistance in 2020 through cash and commodity voucher transfers.

- SO 1: "Vulnerable populations including children and women of reproductive age in high burden regions have improved nutrition status in line with national targets by 2025"; and Activity one "Provide cash and vouchers for specialized nutritious foods and/or micronutrient-dense fresh foods for vulnerable children aged 6–23 months, adolescent girls, pregnant and lactating women under government safety nets, and support the Ghana Health Service with regard to social and behaviour change communication to promote healthy diets in high burden areas".
- SO 2: "Targeted populations and communities in Ghana benefit from more efficient, inclusive and resilient food systems that support nutrition value chains by 2030"; Activity two "Provide technical support for community and industrial production of fortified flour and for food safety and quality assurance. This includes technical support on food safety and quality for up to 30 community milling and blending women's groups, and financial and technical support for two industrial fortified flour producers in Brong Ahafo and Ashanti regions"; and Activity three "Link smallholder farmers with the One District, One Warehouse programme by providing training and equipment to minimize post-harvest losses and facilitate quality assurance and market linkages with processors and institutional customers".
- SO 5: "Crisis-affected populations are able to meet their basic food and nutrition needs during and in the aftermath of shocks"; and Activity 6 "Provide food and nutrition assistance to crisis-affected populations including COVID-19 crisis-affected patients in containment and quarantine centres, refugees, adolescent to girls to return to schools, and other vulnerable groups".

24. OIGA tested essential controls outlined for each of the pre-determined five areas in scope. The essential controls build on existing procedures and manuals; and where appropriate, have been discussed and validated with respective business units. Minimum controls as defined by the Management Assurance Project conducted by WFP's Enterprise Risk Management Division at the end of 2020 were considered and included when relevant.

25. Reliance was placed on second-line assurance work in the areas of finance and monitoring to minimise duplication of efforts.

III. Results of the audit

Audit work and conclusions

26. The eight observations arising from the audit are presented below, including one corporate issue, and are grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 23) plus an initial section to capture cross-cutting issues. For each of the five functional areas, a simplified standard process diagram is included which indicates the key control areas reviewed by the audit and, when exceptions or weaknesses were noted, the audit observations to which they relate and their respective priority rating (red for high and yellow for medium priority observations). Any other issues arising from the audit which were assessed as low priority were discussed with the CO directly and are not reflected in the report nor indicated in the diagrams.

Cross-cutting

Observation 1: CBT market-based interventions for nutrition activities with SNFs and high-risk commodities (corporate issue)

27. The CO aims to improve nutrition through public-private partnerships and uses a market-based approach whereby it contracts with third parties⁴ through food supply and distribution agreements (FSDAs) and uses commodity vouchers for beneficiaries to redeem their entitlements at selected retailers.

28. The CO waived all four FSDAs⁵ based on monthly procured amounts, inconsistently applying food or goods and services procurement rules when annual contractual amounts were high (ranging from USD 800,000 to USD 1.5 million per year) and would have required escalation corporately for approvals. The CO did not record its waivers in WFP's systems, which further limited corporate visibility.

29. While there was some guidance issued by the Supply Chain Operations Division (SCO) in 2018⁶ relating to the use of commodity vouchers, FSDAs and assessments of national Food Safety and Quality (FSQ) systems as part of CBT interventions, it was unclear which corporate frameworks applied to Ghana's specific intervention set-up. This lack of clarity applied to: delegations of authority; contracting; establishment of CO-level committees, where WFP's liabilities and risks lay in contractual arrangements; and how FSQ risks and standards applied for suppliers of specialized nutritious foods (SNFs) and high-risk commodities. Extensive consultations by OIGA with relevant headquarters' (HQ) units (Legal Office [LEG], Programme Division, and CBT & Markets Unit of the Supply Chain Operations Division) highlighted ongoing work at corporate level to clarify the framework for the use of commodity vouchers for multiple programmatic activities beyond nutrition interventions. Work is also under way to develop a high-level proposal for FSQ requirements for such interventions to be discussed at the FSQ committee June meeting, while noting there is still no consensus on FSQ and CBT corporately.

Underlying causes: Unclear/incohesive corporate framework for CBT nutrition activities and market-based interventions involving SNFs and high risk commodities; high risk appetite for delivering on these activities at CO level; insufficient involvement of FSQ expertise in programmatic design and lack of visibility of commodity types planned for programmatic delivery; absence of consensus on FSQ requirements on high-risk commodities provision as part of nutrition activities delivered through commodity vouchers or CBT.

⁴ Two local processes, a Non-Governmental Organization and a Foundation.

⁵ In 2016, the CO consulted with HQ on a contract template and started using a template from a similar set-up in another CO.

⁶ Decision Memo on the Procurement and Approval Process for Commodity Vouchers, approved by the Director, Supply Chain Division on 7 November 2018; Guidance on the use of Food Supply Agreements, approved by Chief, OSCS on 11 June 2018; and a Guidance note on Food Safety & Quality Assurance in Cash-Based Transfer Programmes, approved by the Director, Supply Chain Division.

Agreed Actions [High priority]

The Programme and Policy Development Department (PD) and SCO, in consultation with the Resource Management Department, will establish the core principles of corporate accountabilities, responsibilities, and develop corporate guidance for the management of commodity vouchers across programmatic interventions.

Timeline for implementation

31 December 2022

Observation 2: Risk management

30. The CO's specific operational complexities, challenges and related risks, such as not having the right skillset and capacities for implementation of the CSP, had not been articulated and addressed. The audit observed that this impacted the CO's activities in the areas of procurement (including FSQ), CBT, monitoring and beneficiary management.

31. The audit noted the following gaps in the CO's risk management processes:

- FSQ risks for the provision of high-risk commodities, as well as product substitution and sub-par quality fraud risks, were not adequately assessed and specific mitigating measures were not established.
- One of the identified CO risks was "errors or frauds in the beneficiary targeting and registration"⁷. However, it was unclear how this risk was being mitigated considering that the monitoring and evaluation (M&E) unit was not conducting onsite distribution monitoring (see Observation 7), and independent validation of beneficiaries was not undertaken (see Observation 6). It was not evident whether progress/status updates of mitigating actions were escalated and reported to management.
- Data protection and privacy risks related to the collection and utilization of beneficiary data had not been assessed, and a privacy impact assessment (PIA) had not been carried out although the CO has reported this gap in the 2020 Executive Director Assurance exercise and is seeking the Regional Bureau for Western Africa's (RBD) support to address it.

Standard operating procedures (SOPs) of key functional areas

32. The CO was undertaking capacity strengthening and innovative market-based interventions but had no documented and approved SOPs for how key functional areas such as procurement, CBT, monitoring and beneficiary management should be adapted to its specific activities. This contributed to some of the gaps noted in contract management (see Observation 3). These areas had missing key controls required by corporate guidance, and that informal processes were unclear to staff and new joiners. The audit noted inconsistent practices in the way these functional areas were managed.

Underlying cause(s): Risk management not reassessed and realigned in the context of the CO's CSP activities and interventions; insufficient understanding of FSQ and beneficiary privacy and data protection risks and required mitigation measures; development and approval of SOPs deprioritized given competing priorities brought about by the COVID-19 pandemic; changes in the CO's intervention with the new CSP; staff capacity constraints in some functions; lack of a structured approval process.

⁷ Ghana CO issued two quarterly (Q2 and Q4) risk monitoring reports in 2020 focusing on the CO's four highest rated risks.

Agreed Actions [High priority]

The CO will:

- i) Reassess CO risks to capture all key risks aligned to the CSP interventions, including emerging risks and those identified by the audit and other oversight reviews, and establish mitigation actions.
- ii) Conduct trainings, with RBD's support, for CO functional areas and various management levels with the aim to mainstream risk management activities on a continuous basis and inform CO management decision-making by providing visibility and escalation of emerging risks.
- iii) Carry out a Privacy Impact Assessment.
- iv) Establish an SOP review, update and approval process to ensure clarity and consistency of procedures in key functional areas, reflecting the CO's current practices.

Timeline for implementation

31 December 2022

Observation 3: Contract management

33. Key control aspects of the CO's contract administration activities necessary to comply with legal and regulatory requirements, optimize operational and financial performance, manage contract volumes and complexities, and address compliance and analytical needs, were not functioning effectively.

34. The CO extended its contracts with a financial service provider (FSP) for CBT intervention, retailers and local food processors (for nutrition programmes) multiple times since 2016 without any market assessments, needs analyses or competitive tendering processes. The most recent contract extension with the FSP was signed by the CO in July 2020, but was only signed by the FSP nine months later in April 2021 due to the COVID-19 emergency in Ghana; as such, although the FSP completed the services for a one-time cash distribution in the last quarter of 2020, the CO was exposed to a non-legally binding contract⁸. The CO's contracted FSP created a new legal entity due to a new regulation requiring separation of entities managing mobile money business; however, the CO did not carry out a risk assessment for this new entity nor did it amend the existing contract to reflect the change. The audit also noted that contracts were not updated and aligned with actual implementation arrangements such as payments terms and WFP's access to the FSP's platform to process cash transfers to beneficiaries.

35. The CO was not able to obtain a performance bond from the FSP as required by the corporate Micro Financial Assessment because reportedly FSPs in Ghana typically do not provide such bonds and the CO was not able to provide to the FSP the actual transfer value for the contract period. However, there were no indications that assessments or consultations with RBD and/or relevant HQ units were carried out to assess and mitigate WFP's risk exposure, including through alternative measures and controls.

36. None of the CO's agreements with retailers and local food processors had updated commodity specifications that aligned with corporately approved commodity specifications. Contracts with local processors had specifications relating to a particular commodity when another type of commodity was procured, and there was no evidence of specification approval from WFP's Food Safety & Quality Unit in HQ (SCOQ). In addition, these purchase agreements did not include recall/replace clauses in case of food

⁸ The CO, in coordination with RBD, consulted with LEG on the recent contract extension in December 2020. Following multiple and extensive discussions, LEG recommended some action points to address the issues. At the time of the audit, the CO had not fully implemented LEG's recommendations.

incidents. With respect to compliance with these agreements, the CO did not independently contract third party services to carry out inspection and laboratory testing of procured commodities.

Underlying cause(s): Practice of extending contracts without the necessary checks on corporate specifications and consultations from relevant HQ units; insufficient understanding of legal, financial and reputational risks associated with major changes in contractual parties; absence of mechanisms to monitor compliance with contractual obligations and to update contract templates and other specifications to align with actual intervention set-up.

Agreed Actions [High priority]

The CO will:

- i) Ensure compliance with LEG's recommendations and: (a) ensure signature of the new agreement with the newly created FSP by both parties; and (b) in parallel, issue a competitive tendering process for mobile money FSPs which complies with corporate requirements (including assessments and consultations).
- ii) Establish a contract review and update process, to ensure that contractual agreements with the FSP, retailers and food suppliers are aligned to the actual intervention set-up.
- iii) Establish a mechanism to monitor compliance with contract provisions, as well as to update contract templates and other specifications in consultation with relevant units.

Timeline for implementation

30 November 2021

Observation 4: Food safety and quality

37. FSQ is cross-cutting to the achievement of all the CO's strategic objectives given its focus on nutrition activities with the provision of SNFs and high-risk commodities through the CBT modality. However, the audit noted some process gaps, which provide an opportunity to improve FSQ risk mitigation measures.

38. Suppliers of "lipid nutrient supplement paste small quantity" (LNS-SQ) were not technically risk assessed and audited on an annual basis as required by corporate guidance. There was also no shortlist of local or regional suppliers as required by the New Foods Committee decision memo in February 2018, nor did the decision trigger appropriate vetting in LNS-SQ suppliers prior to contracting.

39. As part of its market-based interventions, the CO relied on the national food regulatory authority's FSQ inspections and compliance tests of products (LNS-SQ, SNF, iodized salt and fortified vegetable oil) at retailers. The national authority was assessed by SCOQ in 2016, but subsequent reassessments of whether its checks can be relied upon (especially for high-risk commodities such as LNS-SQ) had not been performed. The CO indicated during the 2020 ED Assurance exercise that the most significant challenge with FSQ is the low level of hygiene/sanitation and good storage practices of SNF retailers; and that it has plans to further address FSQ issues in its CBT programmes.

40. At the time of the audit, the CO's food technologist (under a service contract) reported to the head of the Procurement unit. This arrangement created a lack of independence and potential conflict of interest in areas such as the identification, evaluation and suspension of suppliers, which were under the same unit and supervisor⁹. In addition, the food technologist's scope of work did not extend to downstream supply chain

⁹ A similar observation and related action on set-up and reporting line was raised in the Internal Audit of FSQ in the WFP Syria Operations, AR/17/09.

activities at CBT retailer level. Procurement and programme units were monitoring CBT activities at retailer level but lacked the skills and expertise to conduct FSQ checks.

41. The CO's incident and deviation tracker was not complete, as it did not cover one LNS-SQ, iodized salt and fortified vegetable oil distributed at retailers. Population of the tracker relied upon local processors' inspection tests; however, one LNS-SQ supplier's quality assurance systems had not been cleared since 2018.

Underlying causes: Insufficient understanding of FSQ risks and required mitigation measures for the provision of high-risk commodities in CBT/ nutrition interventions; insufficient understanding of independence and conflicts of interest; scope of work/contract type of the food technologist not aligned to CO FSQ risks; reliance on third party FSQ controls without the necessary risk assessment and mitigation measures required.

Agreed Actions [Medium priority]

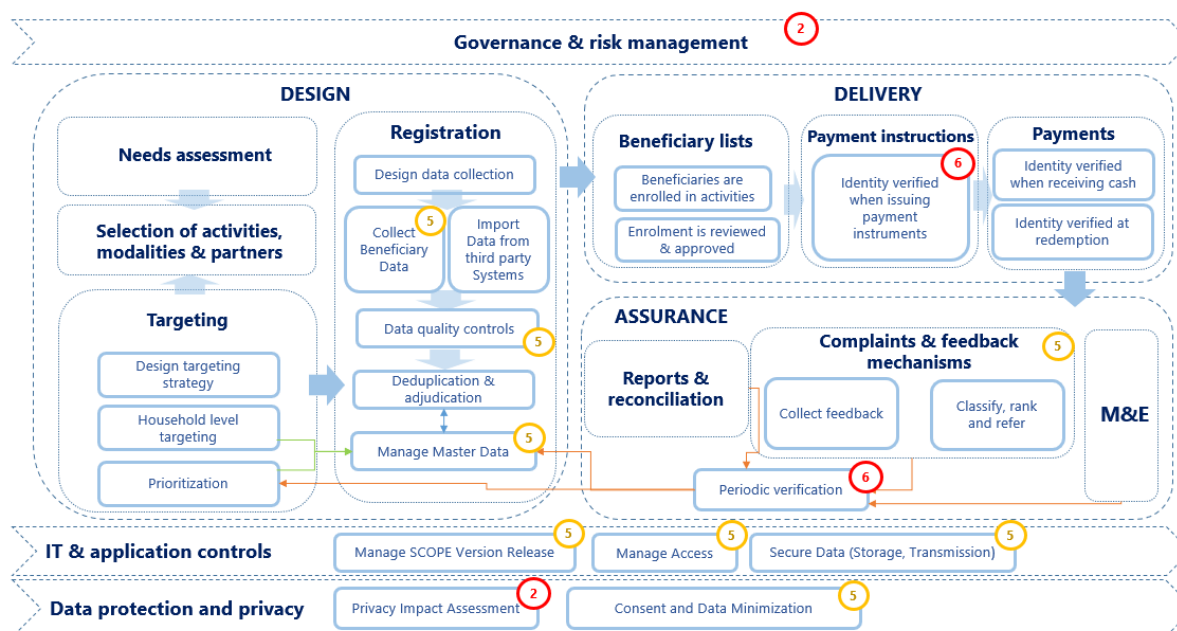
The CO will:

- i) In consultation with the RBD Food Technologist and SCOQ, assess the risks related to SNF and high-risk commodity suppliers in line with corporate requirements.
- ii) Review and align the food technologist's reporting line, contract type and terms of reference to key FSQ risks, with involvement and responsibilities across relevant activities.
- iii) Conduct an assessment of the National Food Safety Regulatory Framework to establish whether it is adequate to mitigate FSQ risks on food commodities in the CO's interventions, and inform decisions on whether reliance can be placed or whether independent inspections and compliance testing are needed. Periodic follow-up assessments will be carried out in line with WFP FSQ guidance.

Timeline for implementation

30 June 2022

Beneficiary Management



Observation 5: Use of SCOPE and beneficiary data management

Access and use of SCOPE

42. From the 121,693 beneficiaries assisted by the CO in 2020, 44 percent were under SO1 and were registered in SCOPE (WFP's corporate beneficiary information and transfer management platform); registration was carried out by the government partner. The remaining 56 percent of the beneficiaries (who received one-time unconditional cash-based transfers for COVID-19 affected daily wage earners and smallholder farmers under SO5) were not registered in SCOPE. The CO introduced SCOPE to meet the demand from the government on an appropriate beneficiary management system.

43. The audit noted that the SCOPE registration version used was not the most recent, and that various versions were used across registration sites, limiting the CO from benefiting from upgrades and security enhancements. Also, the government partner had been granted front-end and additional access permissions to SCOPE which were not in line with their designated roles.

Beneficiary data quality and integrity

44. Analysis of beneficiary information in SCOPE indicated that 21 percent of beneficiaries did not present identification cards at the time of registration. It was unclear how the identities of these beneficiaries had been validated, and without biometric data collection due to the COVID-19 safety protocols the CO did not have a strong mechanism to prevent registration duplications. In addition, no consent forms were obtained from beneficiaries regarding the use of their personal data.

45. The CO did not use a secure file transfer (SFT) mechanism in exchanging beneficiary data (with the FSP, retailers, and internally amongst WFP staff) to ensure integrity and security of sensitive information. The beneficiary payment list (BPL) for mobile money, which includes beneficiary information and entitlements, was sent to the FSP as an email attachment using unprotected Excel sheets; the BPL for commodity vouchers was shared with retailers in the same way. Beneficiary information was shared by multiple CO staff members without clear roles and responsibilities, making it difficult to track any changes or manipulation.



Complaints and feedback mechanisms

46. The CO received beneficiary complaints and feedback through a designated WFP hotline and its government partner, the latter receiving 89 percent of complaints in 2020. However, there was no formal and structured process to document and verify the complaints received from the government partner. It was not clear how complaints were addressed and whether beneficiaries were updated on their resolution.

Underlying causes: Lack of a process to systematically update existing SCOPE registration application versions and to regularly review partner access to SCOPE¹⁰; beneficiaries in remote areas lacking any form of identification¹¹; insufficient understanding of personal data protection measures; lack of formalized process to document, review and resolve complaints received through government partners (see Observation 2 on SOPs).

Agreed Actions [Medium priority]

The CO will:

- i) Formalize a process to regularly: (a) update all SCOPE devices used in government registration sites with the latest version of the SCOPE registration app; and (b) review the government partner's SCOPE permissions to amend and prevent granting of inappropriate access.
- ii) Coordinate with HQ relevant units to: (a) explore the appropriate SFT mechanism to be utilized with external parties; and (b) obtain beneficiary consent on the use and treatment of personal information (with the Technology Division (TEC)/SCOPE Service Desk).
- iii) Establish the ownership of beneficiary master data and clarify roles and responsibilities to make and authorize changes to beneficiary information and limit access to this information.

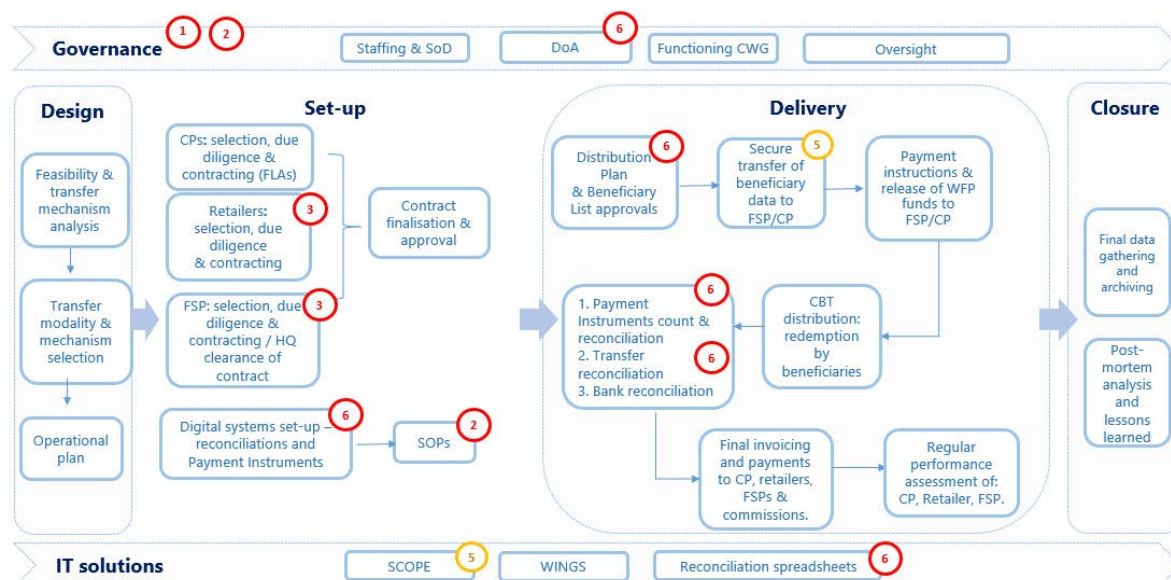
Timeline for implementation

31 December 2022

¹⁰ The CO in coordination with RBD will review SCOPE in July 2021 and determine further investment required.

¹¹ As part of its risk management process (Observation 2), the CO should assess the risk of registering beneficiaries with no identification cards and establish controls to prevent duplication in the registration process. The CO was exploring the set-up of a unique identifier.

Cash Based Transfers



Observation 6: CBT delegation of authority and delivery

47. The CO provides e-vouchers for locally produced specialized nutritious foods and uses mobile money to transfer cash to the same beneficiaries in some areas for iodized salt and fortified oil. In response to the COVID-19 emergency in 2020, the CO significantly scaled up its mobile money intervention in coordination with a government agency to support vulnerable communities affected by containment measures. A CO CBT working group was well established and meeting regularly to discuss operational issues.

Delegation of authority

48. The audit noted the absence of documented sub-delegations of authority from the Country Director (CD) to the Deputy Country Director (DCD) for approval of Purchase Orders (POs) for CBT transactions and a waiver to extend the FSP contract. There was also no documented management approval for the utilization of the undistributed balance from the mobile money intervention in 2020.

CBT planning and distribution

49. There was no high-level distribution plan to serve as a baseline document to monitor budget against actual distribution. This limited the CO from carrying out any reconciliation between what was planned and actually distributed.

50. The audit also noted that the CO did not independently validate beneficiaries during distributions to confirm eligibility and to ensure that no assistance was given to those no longer meeting targeting criteria. Beneficiary validation was being done onsite by the government partner's staff, who were also responsible for the registration and distribution of SCOPE cards. There were risks of inappropriate and double registrations considering the lack of duty segregation, as well as the suspension of biometric registration and authentication due to COVID-19 safety protocols.

Tracking and reconciliation of Payment Instruments (PI or SCOPE cards)

51. The audit noted various gaps and weakness relating to management of SCOPE cards:

- The CO did not report, track, or reconcile the status of SCOPE cards to exclude undistributed cards from the regular assistance cycle.
- Beneficiary identities were not verified during the distribution of the cards.
- After issuing SCOPE cards, the CO handed them over to the government partner for distribution to beneficiaries; the cards remained with the partner until they were distributed or returned to WFP which took an average of three months. During this period, however, the undistributed cards (under the custody of the government partner or WFP) were activated and loaded with monthly entitlements.
- The government partner did not provide regular reports on SCOPE card distribution and cards returned to the CO were not deactivated nor stored in a safe location awaiting destruction.

Transfer reconciliations

52. The CO did not carry out a systematic and detailed transfer reconciliation to verify that each assistance transfer (cash or voucher) was received by the intended beneficiary; and to ensure that discrepancies were adequately resolved. Contrary to corporate guidance, the CO only verified the total amounts reported in the FSP's distribution reports against the beneficiary payment lists. In addition, there was no review of retailer settlements against the undistributed vouchers.

Underlying cause(s): Lack of skills/expertise and understanding of key controls and risks in CBT interventions (as Procurement and Program units were implementing the CBT activities); CBT focal person is only involved in the CBT e-voucher program (nutrition) and not in the CBT mobile money intervention; importance of a distribution plan not considered as an input in the transfer reconciliation process; transfer reconciliation procedures not included in existing CBT SOPs (see Observation 2).

Agreed Actions [High priority]

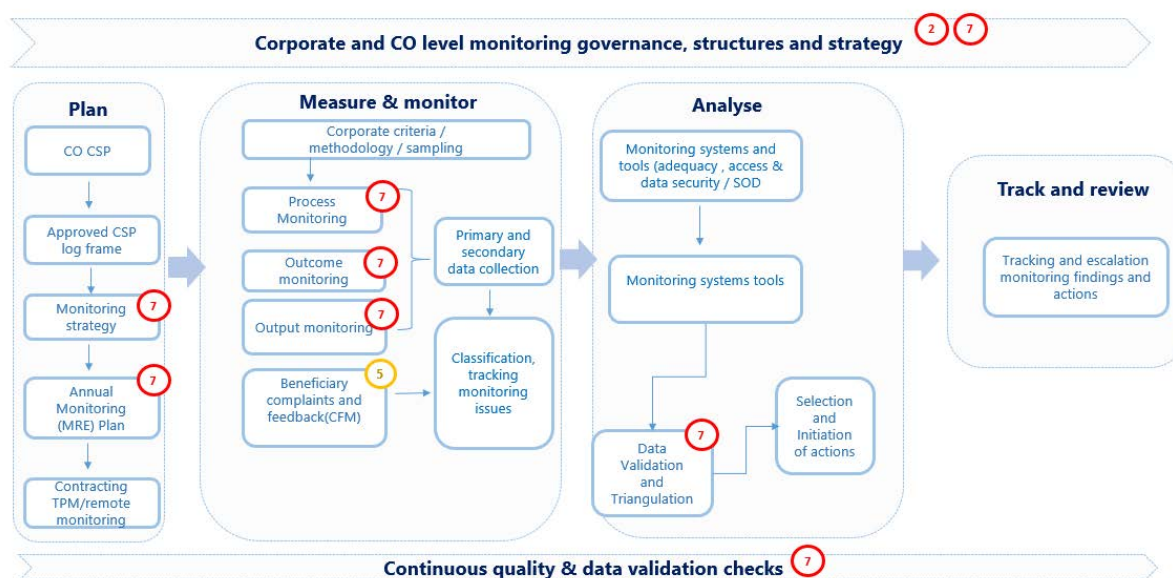
The CO will:

- i) With the support of RBD and CBT HQ, and in light of the upcoming CBT Assurance Directive, request a CBT cross-functional support mission to review existing operational and assurance frameworks and to help CO capacity in addressing the gaps highlighted by this audit including the lack of: (a) a CO CBT Coordinator role to streamline practices across CBT interventions; (b) an approved distribution plan prior to the distribution cycle; (c) mechanisms to independently validate beneficiaries; (d) controls over the tracking and reconciliation of payment instruments; and (e) a second-level transfer reconciliation using the corporate automated platform.
- ii) Conduct an assessment on the use of: (a) The Distribution App function in SCOPE and the biometric authentication at the time of cards distribution; and (b) Payment Instruments Tracking application for the tracking and custodianship of SCOPE cards.

Timeline for implementation

31 March 2022

Monitoring



Observation 7: Monitoring strategy, capacity and plan

53. The CO did not have an updated monitoring strategy aligned to the CSP monitoring requirements, and defining monitoring objectives, processes, roles and responsibilities. There was no comprehensive assessment of the M&E unit's staffing level and structure¹² or of operational priorities based on CSP activities. Roles and responsibilities were not established between SO managers and the M&E unit with regard to monitoring activities. In addition, the M&E unit was not involved and had no visibility over monitoring activities required by memoranda of understanding (MOUs) entered into by SO managers and cooperating partners.

54. There was no monitoring capacity development plan, considering that most CSP activities involved technical assistance and capacity strengthening which requires specific skill sets and expertise to effectively carry out monitoring activities. Gaps were noted in the planning, prioritization and implementation of program monitoring activities with inadequate data quality checks, and inconsistent practices and methodologies. This raised concern about how critical monitoring information was analysed, escalated and utilized to inform decision making.

Monitoring plan and coverage

55. The monitoring plan did not reflect the minimum monitoring coverage as required by corporate guidance, and was not adjusted regularly based on changes in operational priorities and challenges. The M&E unit did not carry out independent onsite distribution monitoring in 2020 for the CO's main activities under SO1 and SO2, although a one-time post distribution outcome monitoring was completed in December 2020. SO managers were primarily responsible for routine monitoring activities in the field, raising the issue of independence and objectivity; the M&E unit was only collating information for reporting purposes.

56. There was no systematic review and analysis of planned versus completed monitoring activities and their associated reports and coverage. This exercise was performed during the first quarter of 2021 with the support of the RBD Research, Assessment and Monitoring (RAM) team and was insufficient considering the number and frequency of the planned monitoring activities¹³ in 2020. Low achievement rates were noted in

¹² RBD RAM oversight mission (Nov 2020) highlighted that the CO does not have adequate RAM structure taking into account the existing staff contract type and job description.

¹³ There were about 40 M&E activities indicated in the new planning and budgeting tool which RBD introduced in 2020.

planned monitoring activities for capacity strengthening (19 percent), process monitoring (44 percent) and outcome monitoring (46 percent). Some of the planned mandatory activities were not carried out to prioritize key activities for CSP reporting. Overall, monitoring coverage for 2020 was low considering that no onsite distribution monitoring was carried out by the M&E unit and only one retailer shop monitoring activity was carried out.

Underlying cause(s): Major events taking place (evaluation of Enhanced Nutrition and Value Chain initiative; nationwide Comprehensive Food Security and Vulnerability Assessment; CSP mid-term review preparations) impacting CO programmes and related monitoring requirements; M&E unit not fully resourced¹⁴; high turnover of M&E staff and competing priorities; limited engagement and coordination between SO managers and the M&E unit; COVID-19 restrictions impacting trainings and workshops related to SO2; lack of a systematic tracking mechanism to review and keep in check the delivery of the monitoring plan.

Agreed Actions [High priority]

The CO will:

- i) Develop a monitoring strategy aligned to the CSP monitoring requirements informed by comprehensive analyses of: (a) CSP requirements; (b) staffing structure and development; (c) risk assessment; and (d) roles and responsibilities of relevant units.
- ii) Assess the means to increase the M&E unit's capacity and ensure that onsite distribution monitoring is independently carried out.
- iii) Establish a process for SO managers to systematically engage and coordinate with the M&E unit when MOUs are entered.
- iv) Establish a review and monitoring process for the delivery of the monitoring plan including: (a) assessing the reasonableness of activities included in the annual plan based on mandatory corporate monitoring activities, existing staffing level and other constraints; and (b) systematic tracking mechanisms of monitoring reports and coverage.

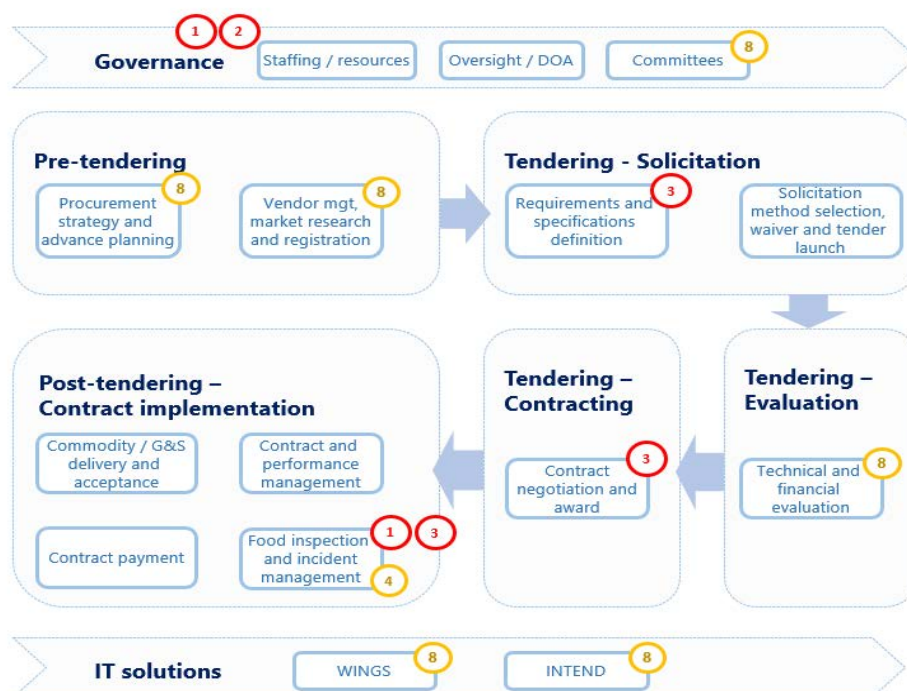
Timeline for implementation

31 December 2022

¹⁴ The CO risk register acknowledged insufficient workforce capability as a key risk that may disrupt operations. One of the mitigation actions identified is to consider outsourcing some operational activities including M&E.

Supply Chain

Procurement



Observation 8: Procurement governance and tendering process

57. As discussed in Observation 1, there was no committee established to sufficiently oversee supplier risks associated with the FSDA contracts for SNFs and high-risk commodities; at the time of the audit reporting, the CO has established a Vendor Management Committee (VMC) effective from 14 May 2021 to review, remove and endorse vendors from the roster.

58. The CO did not have an approved goods and services (G&S) vendor roster; this issue had been raised in a 2016 regional oversight mission. The absence of an approved vendor roster increases the risk of contracting and procuring from non-qualified or vendors who are not properly assessed and adequately vetted. There was also no structured planning and approval process for the procurement of G&S although the CO had started the preparation of its 2021 procurement plan. At the time of audit reporting, the CO had finalized and approved the 2021 procurement plan and CO vendor roster.

59. The audit also noted the CO's practice of raising post factum POs for recurring expenses (such as security and cleaning services, power, telephone, etc.). POs were raised when invoices were received, resulting in funds not being pre-committed on a timely basis in the accounting system.

60. The corporate electronic tendering system (InTend) was not fully used by the CO, and procurement of G&S took place through an offline tendering process. There was no dedicated mailbox used to communicate with suppliers, and procurement staff were using their individual emails which lessened visibility of transaction trails and the transparency of the tendering processes. The CO was gradually shifting to use InTend exclusively for its procurement and the number of vendors registered in the system continued to increase.

61. The following gaps were noted in the solicitation and evaluation of tenders¹⁵: (a) meetings of the Bid Opening Panel were not documented and no reports listing all opened bids were signed by the panel members; and (b) evaluation of individual bids were not formally documented although final results of the evaluation are found in the Local Procurement Committee's notes/minutes. Also, the CO was not able to obtain the conflict-of-interest disclosure forms from the vendors which are typically submitted as part of their bids.

Underlying causes: Unclear CO committee framework for the oversight of SNF and high-risk commodity suppliers; absence of a formal coordination procedure between Procurement and Finance units to ensure proper recording of recurrent expenses; slow uptake by vendors to register in and use InTend considering the frequency of procurement transactions with WFP; insufficient consideration given to ensure transparency in communicating with vendors; lack of formal CO guidelines requiring documentation of key tender solicitation and evaluation activities and submission of conflict-of-interest disclosure forms.

Agreed Actions [Medium priority]

The CO will:

- i) Formalize coordination between Procurement and Finance units to address post factum POs. The estimated average monthly expenses should be used to raise accruals and then revised when invoices with actual amounts are received.
- ii) In coordination with vendors, agree on a starting date to exclusively use InTend for CO procurement transactions, and create a dedicated mailbox for vendor communication.
- iii) Establish a process to ensure that vendors submit the required conflict-of-interest disclosure forms.

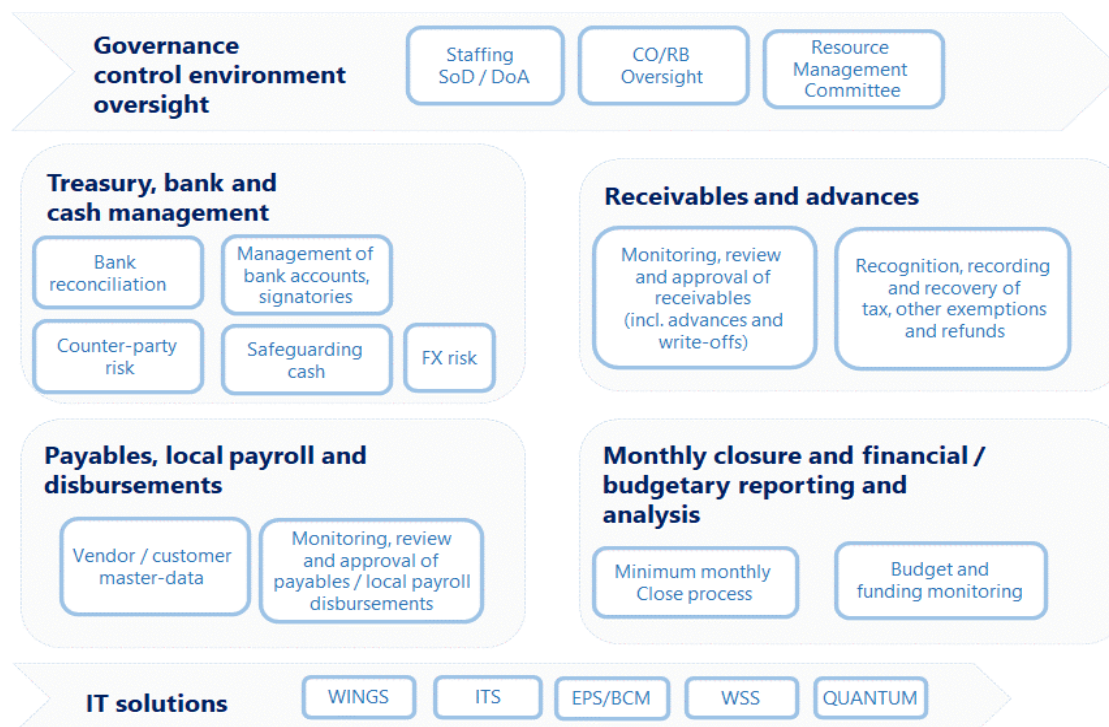
Timeline for implementation

31 December 2021

¹⁵ Procedures for these activities should be included in the procurement SOP (see Observation 2).

Finance

62. The areas reviewed by the audit related to Finance are illustrated in the schematic diagram below. No reportable findings arose (see paragraph 27 for more details), and in general controls were found to be operating effectively.



Annex A – Agreed action plan

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

The agreed action plan is primarily at the CO level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	CBT market-based interventions for nutrition activities with SNFs and high-risk commodities (corporate issue)	Cross-cutting	PD & SCO	High	31 December 2022
2	Risk management	Cross-cutting	CO	High	31 December 2022
3	Contract management	Cross-cutting	CO	High	30 November 2021
4	Food safety and quality	Cross-cutting	CO	Medium	30 June 2022
5	Use of SCOPE and beneficiary data management	Programme, IT, CBT, Monitoring	CO	Medium	31 December 2022
6	CBT delegation of authority and delivery	Programme, Monitoring, Food Safety and Quality	CO	High	31 March 2022
7	Monitoring strategy, capacity and plan	Monitoring, Programme, CBT, Food Safety and Quality	CO	High	31 December 2022
8	Procurement governance and tendering process	Procurement, CBT	CO	Medium	31 December 2021

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.¹⁶

¹⁶ 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 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 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

BPL	Beneficiary Payment List
CBT	Cash-Based Transfer
CD	Country Director
CO	Country Office
CSP	Country Strategic Plan
DCD	Deputy Country Director
ED	Executive Director
FSDA	Food Supply and Distribution Agreement
FSP	Financial Service Provider
FSQ	Food Safety and Quality
G&S	Goods and Services
HQ	WFP Headquarters
LEG	Legal Division
LNS-SQ	Lipid Nutrient Supplement Paste Small Quantity
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
OIGA	Office of Internal Audit
PIA	Privacy Impact Assessment
PD	Programme and Policy Development Department
PO	Purchase Order
PRO	Program Division
RAM	Research, Assessment and Monitoring
RBD	Regional Bureau for Western Africa
SBCC	Social Behaviour Change Communication
SCO	Supply Chain Operations Division
SCOPE	WFP's beneficiary information and transfer management platform
SCOQ	Food Safety & Quality Unit in HQ
SFT	Secure File Transfer
SNF	Specialized Nutritious Food
SO	Strategic Objective
SOP	Standard Operating Procedures
TEC	Technology Division
VMC	Vendor Management Committee
WFP	World Food Programme