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Internal Audit of WFP Operations in Nigeria

Office of the Inspector General
Internal Audit Report AR/21/13



July 2021



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I. Executive summary

WFP Nigeria Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Nigeria that focused on beneficiary management, cash-based transfers, supply chain, monitoring and finance, covering the period from 1 January to 31 December 2020.
2. As defined in the Country Strategic Plan 2019–2022, WFP's operations in Nigeria aim to assist populations in conflict-affected and hard-to-reach areas. The interventions range from unconditional food assistance, both in-kind food and cash-based transfers, to nutrition prevention and treatment support, and conditional assistance for resilience projects. Expenditure pertaining to the Country Strategic Plan from 1 January to 31 December 2020 amounted to USD 213 million. The audit focused on the country office's implementation of the two activities under Strategic Outcome 1 of the Country Strategic Plan: "Internally displaced persons, returnees, refugees and local communities affected by crises in Nigeria are able to meet their basic food and nutrition needs during and in the aftermath of shocks".
3. 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*.

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 / some improvement needed**.¹ The assessed governance arrangements, risk management and controls were generally established and functioning well, but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.

Achievements and areas operating effectively

5. Initially established as an emergency operation in 2015 with a sub-office in Maiduguri and a field office in Damaturu, WFP's presence in Nigeria transitioned in April 2016 to a main country office in Abuja that was previously intended as a liaison office. Since then, and the last internal audit conducted in 2017, the operation has undergone restructuring and efforts have been made to clarify responsibilities and accountabilities, yet with ongoing security and access constraints and challenges in attracting qualified staff. Since 2019 staffing has stabilized with the appointment of senior management and key positions filled through reassignment and external recruitment. The audit observed a positive trajectory in the establishment and operation of risk management and controls compared with the previous audit carried out in 2018.²
6. In 2020, in response to rising levels of insecurity and the onset of the COVID-19 pandemic, the country office scaled up its assistance to reach 1.8 million beneficiaries, twice the number assisted in 2019, and expanded its cash-based transfers to include beneficiaries in urban populations. External stakeholders interviewed during the audit highlighted the country office's responsiveness, its strong engagement and humanitarian role, and recognized WFP as a partner of choice.
7. Management made concerted efforts during the audit period to empower and build capacity in the country office's Risk and Compliance function. The function was staffed with a team containing varied skills and expertise to perform risk management activities effectively. It established the production of weekly risk

¹ See Annex B for definitions of audit terms.

² Internal Audit of WFP Operations in Nigeria AR-18-03.

bulletins and developed a dashboard to monitor key emerging risks and the status of ongoing risks, and to report red flags to inform management decisions and actions.

8. The country office developed its data analytics capabilities with the Nigeria operations centre, which integrates data from multiple processes and sources (monitoring, complaints and feedback mechanism, programme and supply chain). Management envisions having a one-stop shop for all its operational information, with a view to informing and strengthening management decisions.

9. From February 2020, the country office implemented the SCOPE deduplication tool³ to clean up the 2 million beneficiary records previously registered in the system and identified through fingerprint biodata. The exercise successfully resolved over 90 percent of duplicated records and minimized potential losses from multiple distributions to beneficiaries. In addition, cash-based transfer reconciliations and finance controls operated effectively. The country office had a fully functional Food Safety and Quality Unit to ensure compliance with corporate specifications and standards.

10. The country office Finance Unit developed a one-page dashboard for the minimum monthly closure package that provides an overview of finance priorities, challenges and issues. The dashboard was adopted and implemented by the Regional Bureau for Western Africa as part of its regional monthly reporting package, with the potential for other Regional Bureaux to also adopt it.

Main areas for improvement

11. While acknowledging the increased focus on managing risks and implementing controls in the country office's operations since 2018, the Risk and Compliance function's activities and responsibilities had expanded beyond corporately established standards, especially with respect to cash-based transfer reconciliations and SCOPE deduplication checks. This impacted the segregation of duties and the extent of oversight and compliance missions performed by the function in other areas.

12. As a result of limited oversight from the Risk and Compliance function, there were gaps in standard operating procedures, committee memberships and terms of reference, and compliance issues in the areas of procurement, logistics and cash-based transfers. Second-line oversight at the Regional Bureau level relied on the presence of the country Risk and Compliance function, without visibility on where oversight gaps may have existed. The ongoing restructuring of the country office impacted effective communication internally and with external stakeholders; at times, this led to a lack of clarity about where responsibilities lay.

13. There were no data quality and integrity controls, including deduplication checks, for beneficiaries receiving in-kind food assistance who were not registered in SCOPE. This highlighted a corporate-level control gap relating to general food assistance beneficiaries, irrespective of the systems used to register them.

14. The audit report contains seven medium priority observations. Management has agreed to address the reported observations and to work to implement the agreed actions by their respective due dates.

15. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

³ The SCOPE deduplication tool is applicable only to beneficiaries identified through fingerprint biodata and those beneficiaries registered in the system.



II. Country context and audit scope

Nigeria

16. WFP re-established its presence in Nigeria in mid-2016 at the request of the Nigerian Government to provide targeted food security and nutrition assistance to conflict-affected populations in the northeast of the country. The country office (CO) supports the Nigerian Government in its efforts to achieve Sustainable Development Goals 2 and 17. Its strategy is aligned with the Government's humanitarian, recovery, development and capacity-strengthening priorities.

17. The crisis initiated by non-state armed groups remains the principal driving factor of instability in Northeast Nigeria. In May 2013, the Government declared a state of emergency in Borno, Adamawa and Yobe states (the BAY states) in Northeast Nigeria. There are currently over 2 million internally displaced persons (IDPs) in the country, most of them in the BAY states. Due to the ongoing crisis, an estimated 3.4 million people require food assistance.

WFP operations in Nigeria

18. On 11 February 2019, the CO launched its Country Strategic Plan (CSP), covering the period 2019–2022, with a total budget of USD 771 million. The CO plans to assist 1.7 million beneficiaries in 2021, including 736,000 affected by COVID-19. Of these beneficiaries, 1.2 million (70 percent) are included under activity 1 (crisis response) of the CSP: "Provide unconditional food assistance and income-generating activities to food-insecure internally displaced persons, returnees, refugees and host communities affected by crises." Other activities include building resilience to shocks among targeted vulnerable populations to enable them to meet their basic food needs throughout the year, and nutrition prevention and treatment activities.

19. The spread of COVID-19 in Nigeria imposed challenges for WFP's food assistance operations, including accessing urban populations in need, and restrictions on the movement of WFP and cooperating partners' (CP) staff, transporters and financial service providers (FSPs). The CO adjusted its programmatic activities and delivery mechanisms to respond to emerging needs and to limit risks to staff, partners and beneficiaries.

20. The pandemic also opened new opportunities to work closely with the Nigerian Government. The CO provided technical support and worked jointly with the federal authorities to deliver food assistance to COVID-19-affected urban hotspots, for which the Government contributed 2,000 mt of cereals from its Strategic Grains Reserve. WFP supported the Government with technical assistance to distribute take-home rations to school children amid school closures during COVID-19 restrictions.

21. In 2020, the CO assisted 45 percent of its beneficiaries through cash-based transfers (CBT) and 55 percent through in-kind food assistance. The CBT delivery mechanisms used were e-vouchers, bank accounts and mobile money, with a total transfer value of USD 68 million distributed to beneficiaries during the audit period. E-vouchers (through WFP SCOPE cards issued to beneficiaries and redeemed through contracted retailers) accounted for over 63 percent; beneficiary bank accounts (redeemed through automatic teller machine (ATM) cards issued to beneficiaries) accounted for 22 percent; and mobile money (transferred through beneficiary mobile wallets) accounted for the remaining 15 percent. The CO has been working to transition most CBT beneficiaries to mobile money to strengthen financial inclusion and protection.

22. Purchases of commodities, non-food items and services totalled USD 47 million over the audit period. Due to Nigerian Government restrictions on imports, the CO procured 70 percent of commodities in-country, with the remaining 30 percent covered by regional and international in-kind donations (including special nutritious foods and general food commodities). Expenditure on logistics operations, including transport, port, warehouse and ancillary services, totalled USD 15 million in 2020.



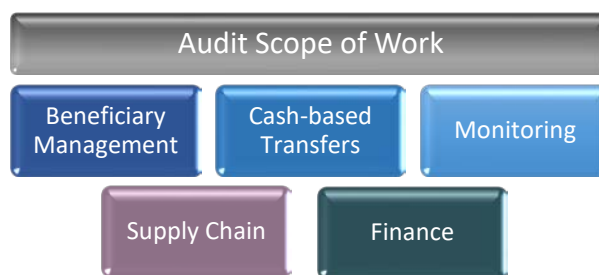
23. Operational risks, including an insecure, complex environment and access restrictions, imposed limitations on the CO’s activities. These included limits on the availability of cash redemption options for beneficiaries by FSPs in some locations, limitations on the number of transporters available and willing to operate in routes, resulting in logistical delays, and limitations and impacts on the monitoring coverage of programme activities.

Objective and scope of the audit

24. 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 Nigeria. 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.

25. 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.
- Supply chain (covering procurement, logistics and commodity management processes).
- Finance.
- Monitoring.



26. The audit focused on two activities within the CO’s 2019–2022 CSP, both under Strategic Outcome 1, representing 55 percent of the total CSP requirements and USD 502 million (65 percent) of the USD 771 million needs-based budget:

- *Activity 1 – Provide unconditional food assistance and income-generating activities to food-insecure IDPs, returnees, refugees and host communities affected by crises.*
- *Activity 2 – Provide nutrition prevention and treatment packages to children aged 6–59 months, pregnant and lactating women and girls, other nutritionally vulnerable populations and persons with caring responsibilities.*

27. OIGA tested essential controls outlined for each of the five predetermined areas in scope. The essential controls build on existing procedures and manuals and, where appropriate, were 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 where relevant.

28. OIGA supplemented this predetermined scope with a CO risk assessment to identify any additional processes that should be in scope for the audit. As a result, OIGA examined aspects of risk management, reviewed key controls on risk identification and management within the five key functional areas, and extended the audit to additional aspects of the risk management process where relevant.

29. Reliance was placed on second-line assurance work where relevant to minimize duplication of efforts.



III. Results of the audit

Audit work and conclusions

30. The seven observations arising from the audit are presented below. They are grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 25), with 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.

31. Issues identified by the audit in the areas reviewed were mainly rooted in the contextual challenges of insecurity and inaccessibility faced by the CO; COVID-19 restrictions; and limited compliance oversight by the Risk and Compliance (RC) function in the areas of governance, procurement, logistics and CBT. Further strengthening of responsibilities and accountabilities is required in relation to governance, organizational set-up and staffing, and operational processes.

Cross-cutting

Observation 1: Governance and management oversight

32. The CO's RC activities were integrated into various functional processes within the CO, including performance of tasks such as CBT reconciliations, SCOPE deduplication, pre-approval of procurement decisions, and value-for-money donor reporting. These tasks were not in line with relevant corporate standards on roles and responsibilities, resulting in controls not being fully performed, insufficient segregation of duties, and misaligned responsibilities and accountabilities. There was no evidence of formal reviews and approvals of CBT reconciliations (USD 25 million cash transfers in 2020) at the closure of cycles. Similarly, in the performance of the payment instrument reconciliation that facilitates the detection of dormant payment instruments, review and approval of the reconciliations were not adequately defined. The results of the reconciliation, although circulated to the CBT multifunctional working group, were not endorsed and approved by the CO management.

Oversight planning and implementation

33. The RC function performed a small number of compliance and oversight missions, including virtual missions, during the audit period. The Regional Bureau for Western Africa (RBD), relying on the presence of the RC function in Nigeria, did not perform any oversight missions. A tracking and follow-up mechanism for oversight and compliance recommendations was not in place. These factors impacted the effectiveness of internal controls implemented in some areas, such as procurement (see observation 7).

Functioning of committees

34. The terms of reference (TORs) of several committees⁴ were not updated to reflect membership changes, and some of the committees reviewed were not effectively discharging their responsibilities. The audit noted that the Procurement and Contracts Committee did not fully undertake its expected responsibilities, including not performing conflict of interest declarations and not including the formalized pre-evaluation and risk assessment of vendors in its reviews.

⁴ Procurement and Contracts Committee, Logistics Execution Support System Committee, Country Office Tool for Managing programme operations Effectively committee, Resource Management Committee and Cash Working Group.



Standard operating procedures

35. Some CO-level standard operating procedures (SOPs) required further development, updating and finalization:

- The beneficiary verification SOP was not developed; the targeting, SCOPE registration and deduplication SOPs needed to be updated to reflect current practices.
- The programme monitoring SOP was not aligned with the minimum monitoring requirements (for both onsite and outcome monitoring) and was not updated with the research, assessment and monitoring (RAM) unit's organizational structure.
- The SOP for the management of CBT clawbacks was not finalized and approved.
- The complaints and feedback mechanism (CFM) SOP needed to be updated and finalized to reflect the current CFM process.

External and internal communication challenges

36. Various challenges and instances of misaligned communication were observed in the CFM and beneficiary management areas. Conflicting information was provided during separate discussions with the CO staff in Abuja and the sub-office and field office staff in Maiduguri and Damaturu respectively. This indicated limited coordination, information sharing and collaboration between the teams in the CO, field office and sub-office, potentially impacting the effectiveness of operations.

37. Delays in the provision of assistance to beneficiaries were noted. These were due to a lack of timely communication with the relevant CPs and third-party monitors (TPMs) regarding changes to distribution plans. Feedback from donors also indicated opportunities for improvement in timely communication, as per agreed stipulations. Siloed communication between various functional units impacted the effective resolution of issues reported through the CFM and from monitoring.

Underlying cause(s): Expansion of the scope of work for the RC function based on the needs and priorities of the CO's operations. Compliance and oversight work plan not fully risk-informed. Absence of an oversight action-tracking process. Limited coordination between the RBD and RC for oversight work. Oversight missions hindered by insecurity and COVID-19 restrictions. Limited training and oversight over committees. Limited management accountability over SOPs. Ongoing changes in restructuring of the CO.

Agreed Actions [Medium priority]

The CO will:

- i) Review and reassess the RC function's TOR and scope of work against corporate standard roles and responsibilities, and adjust its functional activities as necessary.
- ii) Strengthen the RC function's oversight work plan, advised by a detailed process risk assessment, and ensure regular communication to the RBD for visibility on where second-line oversight inputs may be required.
- iii) Develop a comprehensive systematic tracking, consolidation and follow-up process for all oversight recommendations.
- iv) Provide relevant training to all committees and update TOR.
- v) Review, finalize and/or develop SOPs as necessary, ensuring alignment with existing practices. Clarify responsibilities and communication channels for internal and external stakeholders.

Timeline for implementation

31 January 2022



Observation 2: Data privacy, protection and integrity

Privacy Impact Assessment

38. The CO had not carried out a Privacy Impact Assessment (PIA). Such an assessment, which aims to identify, evaluate and address the risks arising from collecting and utilizing personal data, should be carried out prior to collecting beneficiary data or embarking on any form of beneficiary data processing. The CO reported that a PIA is planned for 2021.

Data-sharing agreement

39. Comprehensive data-sharing protocols had not been established and agreed upon with CPs and the FSPs. The CO sent emails containing data-sharing instructions at the time of signing field level agreements and FSP contracts; however, in the absence of an enforcement mechanism, CPs shared beneficiary data through emails and Excel worksheets without password protection. In addition, CPs and FSPs did not consistently use SharePoint, which was introduced in June 2020.

Beneficiary consent

40. During the audit period, the CO stopped obtaining beneficiaries' consent for the collection and use of their personal data, including the public posting of names in the IDP camps, to determine any inclusion and exclusion errors. Although this was previously carried out as part of the CO's targeting processes, the CO stopped using beneficiary consent forms in data collection when public posting was stopped. This was due to protection considerations, and also because storing and retrieving these forms was cumbersome in the absence of a corporate digital solution to simplify the process. According to WFP's principles of personal data protection and privacy, personal data must be collected by lawful and fair means with the informed consent of beneficiaries.

Data quality issues

41. The CO set up various feedback channels, including help desks, primarily managed by the CPs, to give beneficiaries an opportunity to complain and provide feedback. However, there were gaps in the quality of data received from the help desks, and this impacted the analysis, risk categorization, management and follow-up of beneficiaries' complaints and feedback.

42. The CO automated the visualization of monitoring data through a dashboard that provided monthly trends on programme implementation activities such as distribution timeliness and beneficiary entitlement verification. The data was collected by both TPMs and CO field monitors using the Mobile Operational Data Acquisition (MoDA) tool, WFP's data collection platform, and fed directly into the CO's monitoring database. However, there were gaps in the review and validation of data entered into MoDA by the TPMs. This potentially impacted the quality of data used to make evidence-based decisions on programmatic interventions; some of the data entered was noted to contain errors.

43. From January 2020 to March 2021, 210,000 beneficiaries (12 percent of the total caseload) were registered in SCOPE; 70 percent of these registrations were carried out by importing data from Excel documents. Although the programme unit approved the import process, over 40 percent of information was missing in the mandatory data fields of gender, date of birth or document type. Additionally, data from SCOPE indicated that 55 percent of these newly registered beneficiaries had not redeemed their assistance. Subsequent enquiries revealed that assistance had, in fact, been redeemed, but that SCOPE had not been updated. The data gaps impacted the effectiveness of analysis for programme implementation and reporting.

Underlying cause(s): Reliance on basic clauses in the field level agreements not adequately addressing data privacy and protection aspects. Cumbersome storage and retrieval process of consent forms and



unclear/absent corporate guidelines on digital consent. Absence of a systematic process for review of data quality and integrity for the CFM, monitoring and Excel-based beneficiary data.

Agreed Actions [Medium priority]

The CO will:

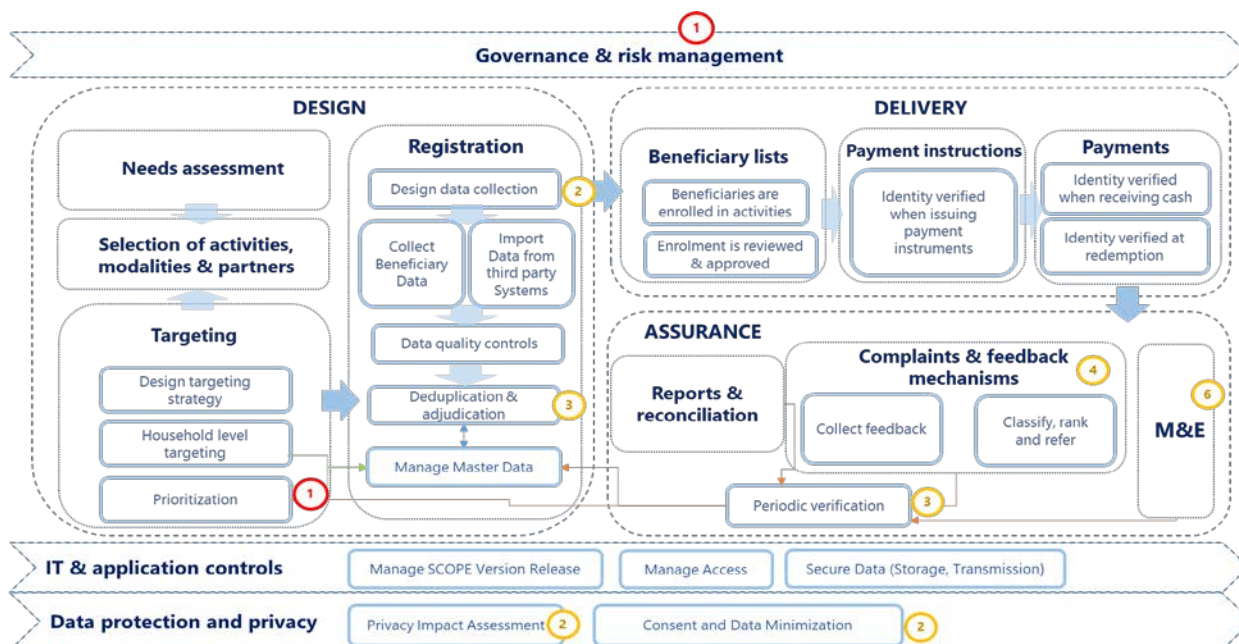
- i) Perform a PIA and, based on the results, develop, communicate and enforce secure data-sharing protocols with CPs and FSPs.
- ii) Assess and adapt the best mechanism(s) for obtaining informed beneficiary consent during targeting in the CO's operating context.
- iii) Establish mechanisms for data quality checks and validation for the CFM, monitoring, and upload of Excel data to SCOPE.

Timeline for implementation

31 January 2022



Beneficiary Management



Observation 3: Beneficiary management

Beneficiary sensitization

44. Audit review of the Food Security Outcome Monitoring results and discussions with donors indicated a low level of beneficiary awareness in 2020, averaging 35 percent (it was 65 percent in 2019). The three indicators measured were: informed about duration of assistance; knowledge of entitlements; and knowledge of targeting criteria. Low beneficiary awareness may impact the effectiveness of programme activities, including the protection of beneficiaries.

Prioritization decisions

45. The CO undertook a quarterly cross-functional discussion on prioritization of assistance, the outcomes of which were used to adjust the distribution of assistance to beneficiaries. However, in the absence of a documented strategy, the audit could verify neither the criteria used nor the consistent implementation and logic supporting prioritization decisions and end results.

Verification and deduplication

46. Beneficiary verification exercises were neither systematically planned nor regularly performed; reliance was placed on 10 percent spot checks performed during targeting. The absence of a planned, systematic and resourced verification process amplified the risk of duplicated beneficiaries and the continued inclusion of those no longer meeting targeting criteria.

47. At the beginning of 2020, the CO embarked on an exercise to clean up its beneficiary data using the SCOPE deduplication tool. The CO identified over 84,000 duplicate beneficiary records using biometrics as the unique identifier, of which over 90 percent were resolved. As of May 2021, 6,649 identities were still active duplicates, with 46 percent enrolled in 2021 cash and e-voucher interventions and continuing to receive multiple benefits. However, further analysis was not undertaken to determine the extent of financial loss to the CO.



48. The audit also noted opportunities for improvement in facilitating effective and timely resolution of duplicate cases reported by the deduplication team to the programme and protection teams. The role of the protection team in the deduplication process was not defined, specifically regarding handling of any protection-related issues identified.

49. In March 2021, the CO started piloting the SCOPE real-time beneficiary identification (RTBI) technology, to transition deduplication from post factum detection to a preventative control using beneficiary fingerprint biodata. However, responsibilities and accountabilities for the deduplication process were not aligned to ensure the results were tracked and resolved in a timely manner. Additionally, the process should be performed at the field level during the real-time registration of beneficiaries. The CO maintained a data-sharing agreement with the International Organization for Migration (IOM), with provision to use IOM's duplication prevention software. However, the CO did not leverage this provision to reduce the risk of duplication, considering that the majority of the beneficiaries were IDPs already registered by IOM.

50. CO beneficiary management processes allowed for the use of a wide range of identity documents (including WFP tokens, IOM tokens, national identification documents, driving licences and passports among other documents the beneficiary may possess). This increased duplication risks, especially in general food distribution and in-kind beneficiaries managed outside of SCOPE or registered in SCOPE without biometric identification. The CO started piloting the use of SCOPE for in-kind beneficiaries in 2021 in a few locations. The plan was to perform a lessons learned exercise and, if viable, expand it further. Deduplication of in-kind beneficiaries was not carried out given the absence of a corporate guideline for the deduplication of in-kind food assistance which was addressed in the Internal Audit of SCOPE (WFP's Digital Management of Beneficiaries).⁵

Underlying cause(s): COVID-19 and insecurity impact on physical sensitization. Absence of a plan to sensitize beneficiaries remotely and in coordination with other agencies. Undocumented prioritization strategy. Lack of definition of the frequency, responsibilities and accountabilities of verification exercises. Absence of a formalized comprehensive analysis of responsibilities and accountabilities of all CO functions in deduplication, resolution of duplicates and RTBI roll-out. Most beneficiaries are IDPs who may have lost documents hence multiple identification documents allowed.

Agreed Actions [Medium priority]

The CO will:

- i) Strengthen beneficiary sensitization in consultation with other agencies, taking into account remote constraints.
- ii) Document the prioritization strategy.
- iii) Following finalization of a beneficiary verification SOP (see observation 1), allocate resources to implement periodic beneficiary verification in line with corporate guidelines.
- iv) Clarify responsibilities and accountabilities of relevant CO functions, including the protection team and the implementation of the RTBI technology in the deduplication process, and develop a follow-up mechanism for identified duplicates.
- v) Develop tracking and follow-up mechanisms to ensure the timely resolution of identified duplicates.
- vi) In consultation with IOM and based on the global data-sharing agreement with the agency, review and streamline the variety and use of identification documents and deduplication.

Timeline for implementation

31 March 2022

⁵ Internal Audit Report AR-21-08.

Observation 4: Complaints and feedback mechanism

51. The CO's CFM was set up in 2017 and was enhanced following recommendations from an internal audit in 2017⁶. In 2020, the CO acknowledged that additional enhancements were necessary in support of its vision to triangulate CFM information with other data sources, including process monitoring to inform decision making and adjust programmatic activities, an area of concern for donors.

52. The CFM's average coverage in 2020 was below 50 percent of affected populations. As of February 2021, CFM coverage improved from 4 to 12 local government areas (LGAs) of the 29 in the BAY states, achieving 41 percent coverage; analysis of the coverage indicated that 60 percent was recorded in Borno, 27 percent in Yobe and none in Adamawa's two LGAs.

53. The CFM hotline was the main mechanism for collecting feedback and complaints from beneficiaries. However, it was suspended in October 2020 due to the expiry of the contract with the service provider. The CO decided to obtain a new toll number as the previous one covered beneficiaries from only one mobile network. Although a budget was availed in 2021 for the acquisition of hardware for the roll-out of a new toll-free hotline, the approved project plan with clear and agreed timelines, assigning responsibilities across the different CO functional units, and measurable objectives had not yet been operationalized. The delays in obtaining a new hotline were exacerbated by a government ban on issuing new subscriber identification module (SIM) cards.

54. Following suspension of the hotline, the CO gradually incorporated other channels for obtaining beneficiary feedback, such as help desks, dedicated mailboxes and monitoring reports. However, there was no comprehensive and systematic centralized mechanism for collecting, consolidating and managing the information from these various channels. In addition, escalation, resolution, feedback and reporting processes on beneficiary feedback and complaints were not streamlined (see also observation 6 on monitoring processes). The absence of a proper audit trail supporting the analysis and management of reported cases resulted in missed opportunities for comprehensive analysis and in insufficient visibility for the CFM team.

55. In early 2020, the Sugar customer relationship management system (SugarCRM), a software application to manage complaints and feedback received from various sources such as beneficiaries, the CO hotlines and CP help desks, was launched in the CO. At the time of the audit, comprehensive technical and end-user training had not been given to the core CFM team, the CFM focal point and other relevant users, including CPs. This lack of training limited the development of the system's in-house expertise and impacted the tool's business and technical configuration and timely roll-out. To continue using SugarCRM, the CO plans to customize and configure it to integrate help desk data and create a unified register of complaints and feedback. Nigeria will be the first country to have such a solution in place, as due to the complexity of handling hotline cases, most countries focus only on hotline complaints management in SugarCRM.

Underlying cause(s): Delays in operationalization of the agreed implementation plan for the acquisition of the toll-free hotline and for configuration and roll-out of SugarCRM. Lack of adequate training of relevant staff and CPs. Lack of a systematic mechanism in place for consolidation, escalation, resolution, feedback and tracking.

⁶ Internal Audit of WFP Operations in Nigeria AR-18-03.



Agreed Actions [Medium priority]

The CO will:

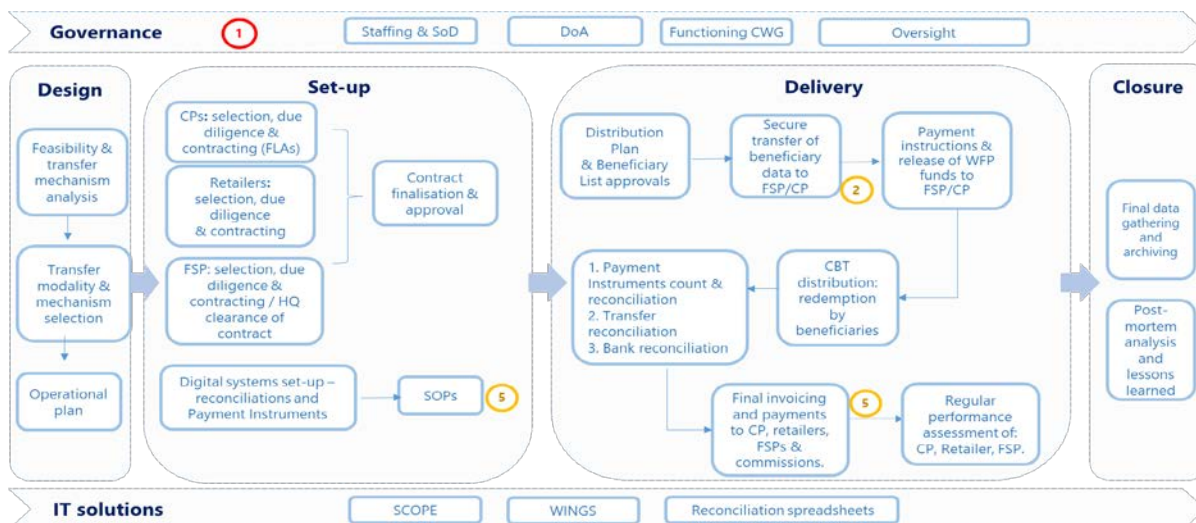
- i) Operationalize the implementation plan for the acquisition of the toll-free hotline and configuration of SugarCRM to the CO's specifications and needs.
- ii) Provide additional training on CFM processes, including enhanced features of SugarCRM, to all relevant staff and CPs.
- iii) Engage RAM and programme and protection units to develop a coherent case management system for consolidation, resolution and tracking of beneficiary complaints and feedback.

Timeline for implementation

30 June 2022



Cash-Based Transfers



Observation 5: Cash-based transfer delivery

56. In 2020, the CO distributed USD 68 million via CBT interventions, 37 percent (USD 25 million) of which was through beneficiary electronic wallets and bank account transfer mechanisms. Since 2019, the CO has strengthened the CBT assurance mechanism by setting up a dedicated team in the RC function that streamlined the reconciliation process.

Mechanisms for cash redemptions through cash agents

57. Cash redemption by beneficiaries through mobile money, bank accounts (using debit cards or prepaid cards) could only be undertaken through organized cash-out distribution points managed by cash agents contracted by FSPs. The limited choice of cash redemption options impacted the financial inclusion objective to empower beneficiaries; it resulted in beneficiaries cashing out from unauthorized cash agents who imposed fees, therefore reducing the assistance received by beneficiaries. Additionally, the process required the significant involvement of the CO and CPs in organizing and monitoring cash redemption activities due to the layered manual distribution point controls and coordination complexities.

58. To implement the agreements signed with WFP, FSPs subcontracted cash agents. Various CBT assessments (due diligence reports, performance assessments and operational plans) identified operational risks and challenges in managing these agents. The audit noted cases reported through the CFM where agents had liquidity challenges and had short-changed beneficiaries. The related mitigating mechanisms for these risks were not comprehensively reflected and updated in the CO's CBT risk register.

Financial service providers' (FSP) contract for the provision of cash transfers through bank accounts

59. In 2020, the CO amended the contracts of the two FSPs serving Northeast Nigeria to include services in response to the COVID-19 pandemic in urban centres in Abuja, Kano and Lagos. However, the implementation of the agreements faced challenges due to insecurity in Northeast Nigeria; the absence of digital infrastructure to facilitate mobile payments; and movement restrictions imposed in response to COVID-19.

60. The contract with the FSP providing cash through bank accounts was not updated to incorporate cash agents and associated service costs. In addition, the FSP failed to provide cash benefits through the four redemption options stipulated in the contract (mobile cash delivery, ATMs, FSP bank branches and via merchants), citing security access challenges.



61. Despite the CO's consistent follow-up, there were instances where FSPs did not process payment instructions in a timely manner and did not provide transaction upload reports for up to six months, totalling USD 800,000, which impacted the timely performance of transfer reconciliations.

Compliance issues

62. Internal control gaps were noted in the CBT processes, as follows: (i) micro information technology assessments for some LGAs were last updated in 2019; and (ii) delays in the release of cash-based purchase orders for approval by the RBD and headquarters as a result of inefficient internal processes and the non-availability of timely funding to cover quarterly purchase order requirements.

Underlying cause(s): Competing operational priorities to deliver cash in a complex and insecure context. Bank-led financial regulatory framework governing mobile money operators in Nigeria. Absence of corporate guidelines on FSP subcontracting. FSPs' delivery challenges not anticipated when signing agreements. Steep learning curve for FSPs in implementing WFP cash interventions due to relatively new agreement (May 2020). Limited oversight of CBT by RC to ensure adherence to internal controls.

Agreed Actions [Medium priority]

The CO will:

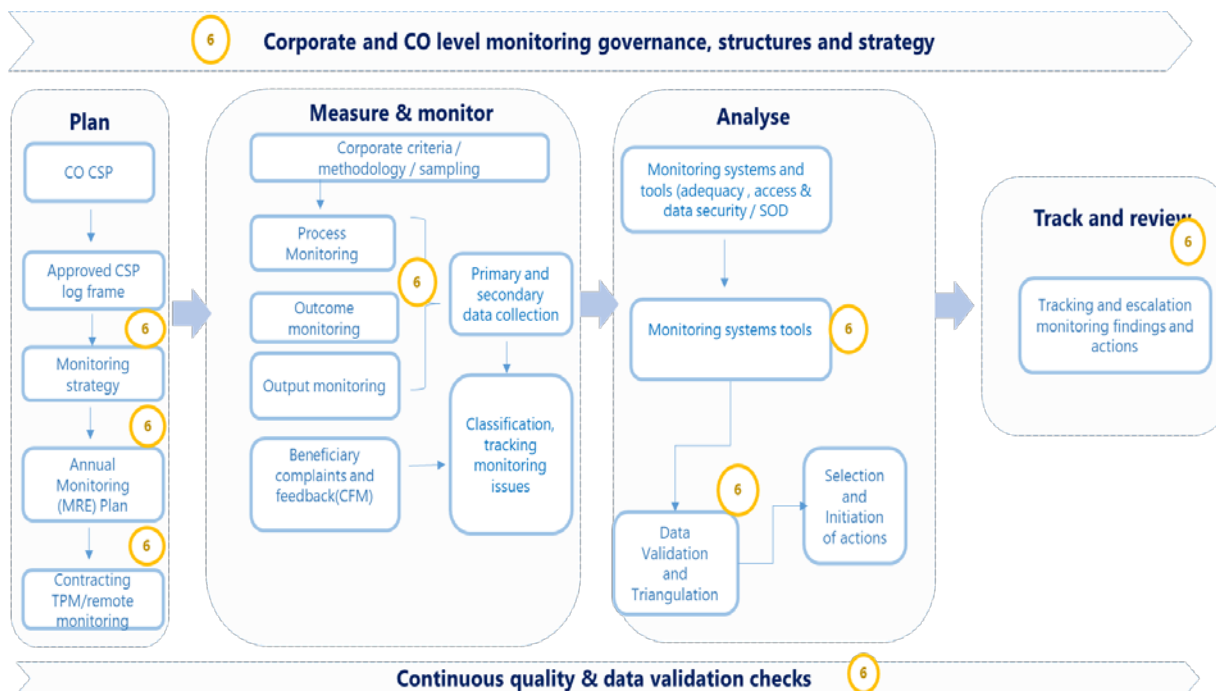
- i) Assess and decide on feasible alternative digital redemption options for the different beneficiaries and locations to promote full financial inclusion and, as relevant, save on CBT transfer costs incurred by WFP and beneficiaries.
- ii) Based on the decision in (i), enforce FSPs' responsibilities to use relevant contractual clauses to monitor and control operations of contracted cash agents.
- iii) Finalize the addendum of the FSP contract to reflect the subcontracting of cash agents and the associated cost.
- iv) Engage and enforce the use of relevant contract clauses, performance assessments and timely reporting by FSPs to facilitate an effective reconciliation process.
- v) Update the micro information technology assessments for the LGAs and streamline internal CO processes for the timely release of cash-based purchase orders.

Timeline for implementation

30 June 2022



Monitoring



Observation 6: Programme monitoring and reporting

63. The CO's monitoring, review and evaluation plan detailed its approach for measuring programme performance indicators with defined frequencies and data sources. However, a monitoring strategy was not defined to contextualize challenges and opportunities within the CO's operations and align to the minimum monitoring requirements for the 2019–2022 CSP activities.

64. The quarterly monitoring plan was not updated and communicated to reflect changes in distribution plans/programme implementation, potentially impacting the coverage achieved. In the period from January to December 2020, the overall monitoring coverage achieved was 56 percent of active sites, with coverage in the last quarter being 22 percent. This was achieved partly through remote monitoring following COVID-19 restrictions and suspension of the TPM's license by the Nigerian Government. However, lessons from the exercise had not been established to explore opportunities to increase coverage in hard-to-reach areas.

65. The CO had recently engaged two TPM companies to increase evidence-based monitoring, reduce vendor concentration risks and mitigate operational challenges that limit coverage due to insecurity and access restrictions. Gaps identified from the due diligence assessment of the two service providers, and recommendations made to address these, were not prioritized and followed up to build their capacity. In addition, roll-out and training on the WFP monitoring toolkit was delayed.

66. Although field offices followed up on monitoring issues, their closure upon implementation, as recorded in the Excel-based monitoring issue tracker, was not supported with evidence. The escalation protocol for high-risk monitoring issues did not include all relevant units, potentially limiting visibility and oversight of the issues raised. Monitoring issues from donor TPMs were not consolidated, tracked or analysed to optimize the overall evidence base.



67. The reconciliation process for the Country Office Tool for Managing (programme operations) Effectively (COMET) was not systematic, and did not reflect periodic data validation. Although the CO performed the end-of-year reconciliation, there was no evidence of monthly reconciliations, potentially limiting oversight and timely resolution of CP data gaps and follow-up on variances in the distribution figures reported.

Underlying cause(s): Staff turnover in key monitoring positions. Challenges in remote monitoring and use of TPMs not feeding into lessons learned. Lack of capacity of the TPM due to recent onboarding. Unclear process for prioritization and closure of monitoring issues and absence of a corporate system to track and close monitoring issues⁷. COMET data reconciliation roles and responsibilities not updated.

Agreed Actions [Medium priority]

The CO will:

- i) Strengthen the staffing capacity of the monitoring function and establish a monitoring strategy and a monthly rolling plan.
- ii) Undertake a lessons learned exercise from the remote monitoring to leverage opportunities to augment coverage in the challenging context of the CO's operations in the future.
- iii) Build capacity of TPMs on tools, and follow-up on due diligence assessment recommendations.
- iv) Reinforce the need to utilize corporate tools to track findings, clarify the frequency and audience of reporting at the CO level, and evaluate the opportunity to implement an automated tool for tracking and reporting findings.
- v) Update roles and responsibilities and systematize COMET data reconciliation.

Timeline for implementation

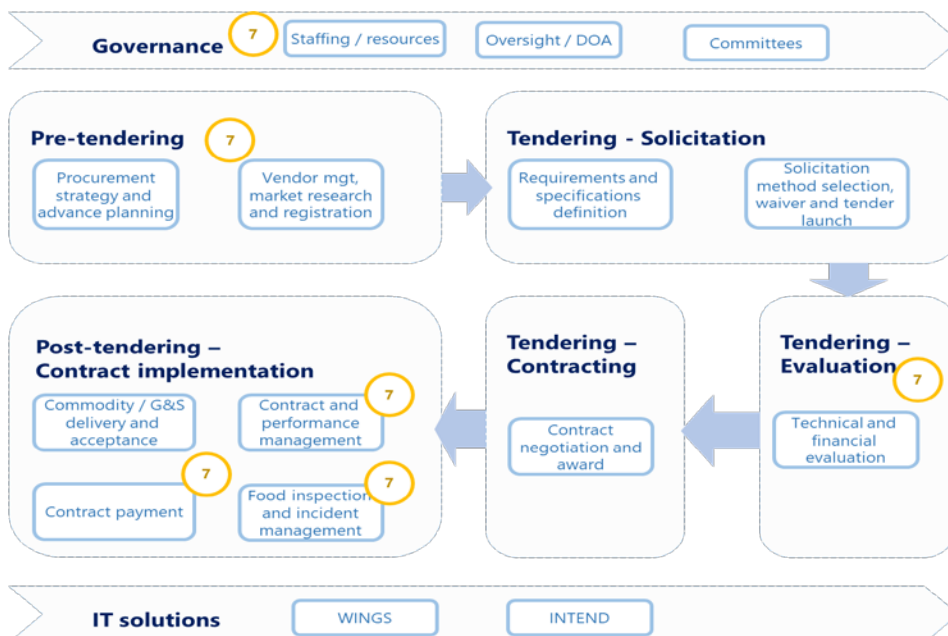
30 June 2022

⁷ <https://docs.wfp.org/api/documents/WFP-0000100892/download/>

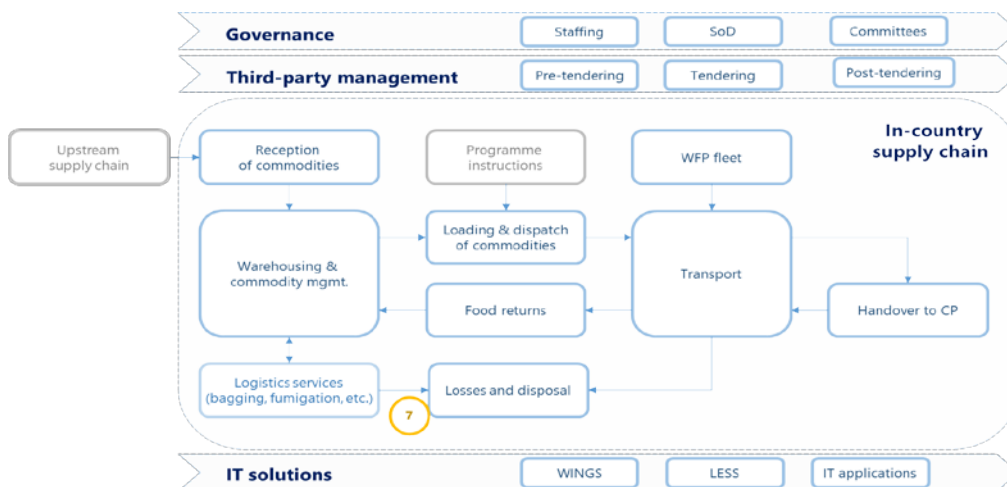


Supply Chain

Procurement



Logistics and commodity management



Observation 7: Procurement and logistics

68. During the audit period, the CO faced challenges in attracting talent to fill key positions in its procurement unit, and three key staff positions (head of procurement and two procurement officers) were vacant from the first to the third quarter of 2020. By the end of 2020, the CO had filled the two officer positions and onboarded the head of unit in June 2021.

69. The following areas were noted where gaps in procurement processes existed:

- Lack of approval of the annual goods and services procurement plan, and quarterly reviews to update and re-align it with the changing needs of the CO;



- Lack of regular and comprehensive market assessment for food commodities and for goods and services to understand the current market's ability to meet the CO's operational needs; and lack of periodic expression of interest exercises to update the roster of vendors (dating from 2019) to broaden the supplier base;⁸
- Due diligence for vendors at the onboarding stage limited to a review of company documentation and visits to vendor premises without a detailed risk analysis and assessment of their capacity to deliver; this resulted in delays and breaks due to supplier shortfalls during the COVID-19 emergency surge period;
- Lack of notification of all new onboarded food suppliers to the Food Safety and Quality Unit to complete the required corporate food safety and quality risk assessments and quality checks upstream;
- Unsigned and missing contracts for some purchases in the sampled procurement actions/documents, and non-inclusion of the recall and replace clauses in early release in the draft contracts as part of the tendering documents; the CO had started implementing a contract management system to track and monitor all upcoming, ongoing and past obligations with vendors at the time of the audit;
- Lack of review and approval by the Procurement and Contracts Committee for post factum and waived procurements before approval by the purchasing authority; at the time of the audit fieldwork, the CO had issued country-specific guidance to streamline post factums approvals and waivers; and
- Lack of utilization of quantity and quality registers to track deviations and leverage existing data analytics capabilities to consolidate and analyse vendor performance trends, and thereby strengthen performance evaluations of commodity vendors.

70. Audit review of logistics highlighted the need to define roles and responsibilities for downstream processes such as final delivery to beneficiaries. Additionally, the CO needed to extend the mandate of the Local Transport Committee to cover 2021 and ensure approval of all tariff system cargo-allocation plans by the Country Director. There were instances of unsigned and incomplete waybills, and CP losses were not recorded in the Logistics Execution Support System.

Underlying cause(s): Staffing gaps in key procurement positions. Lack of sufficient compliance/oversight reviews in the procurement process. COVID-19 restrictions limiting the performance of oversight on transporters. Lack of prioritization of some logistic controls. Unclear responsibilities between programme and supply chain at the corporate level relating to managing CP losses (issue raised in the Internal Audit of Logistics Execution Support System Functionalities and Application Controls⁹).

Agreed Actions [Medium priority]

The CO will:

- i) Review the scope of work of the procurement unit once key positions are filled to ensure that key control gaps identified in the audit are addressed as follows:
 - (a) approve and review the procurement plan;
 - (b) perform regular comprehensive market assessment and expression of interest exercises;
 - (c) perform comprehensive vendor due diligence informed by a detailed risk analysis and capacity to deliver assessment; and

⁸ The CO's limited supplier base led to commodity shortfalls during the audit period, exacerbated by the COVID-19 pandemic.

⁹ Internal Audit Report AR/21/02.



- (d) utilize the quantity and quality registers to track deviations and leverage data analytics to enhance vendor performance evaluation.
- ii) Ensure that the RC function incorporates periodic risk and compliance reviews of procurement processes in its scope of work, in addition to the quarterly reviews of purchase orders.
- iii) Clarify roles and responsibilities in the responsibility assignment matrix for downstream logistics processes; extend the mandate of the Local Transport Committee; and ensure the Country Director approves the tariff system cargo-allocation plans.
- iv) Implement a review process to ensure waybills are completed and signed off.

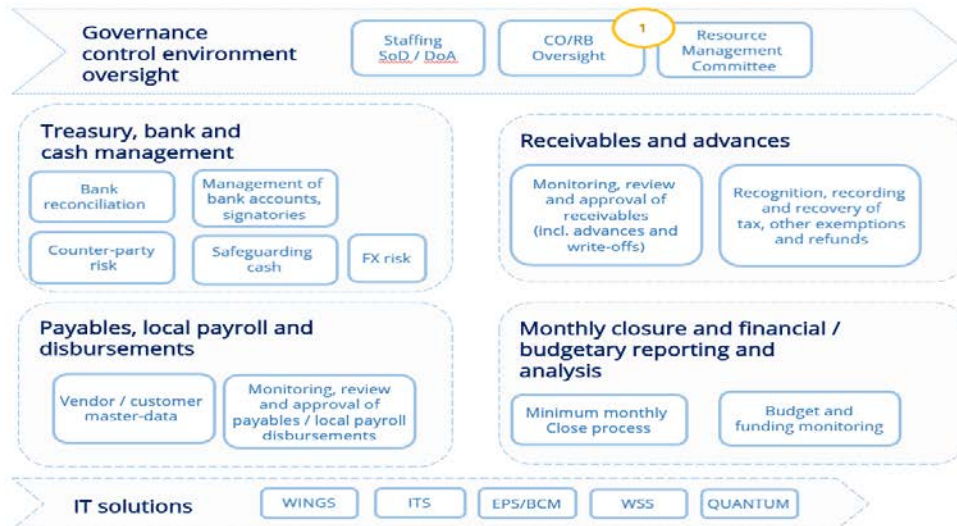
Timeline for implementation

30 June 2022



Finance

71. The areas reviewed by the audit related to finance are illustrated in the schematic diagram below. No specific reportable findings arose (see paragraph 30 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	Governance and management oversight	Cross-cutting	CO	Medium	31 January 2022
2	Data privacy, protection and integrity	Cross-cutting	CO	Medium	30 June 2022
3	Beneficiary management	Beneficiary management	CO SCO	Medium	31 March 2022
4	Complaints and feedback mechanism	Beneficiary management	CO	Medium	30 June 2022
5	CBT delivery	CBT	CO	Medium	30 June 2022
6	Programme monitoring and reporting	Monitoring	CO	Medium	30 June 2022
7	Procurement and logistics	Supply chain	CO	Medium	30 June 2022

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.¹⁰

¹⁰ 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

ATM	Automatic Teller Machine
CBT	Cash-Based Transfer
CFM	Complaints and Feedback Mechanism
CO	Country Office
COMET	Country Office Tool for Managing (programme operations) Effectively
CP	Cooperating Partner
CSP	Country Strategic Plan
FSP	Financial Service Provider
IDP	Internally Displaced Person
IOM	International Organization for Migration
LGA	Local Government Area
PIA	Privacy Impact Assessment
RAM	Research, Assessment and Monitoring
RBD	Regional Bureau for Western Africa
RC	Risk and Compliance
RTBI	Real-time Beneficiary Identification
SCOPE	WFP's beneficiary information and transfer management platform
SIM	Subscriber Identification Module
SOP	Standard Operating Procedure
TOR	Terms of Reference
TPM	Third-Party Monitor
USD	United States Dollar
WFP	World Food Programme