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Internal Audit of WFP Operations in Colombia

Office of the Inspector General
Internal Audit Report AR/21/14



World Food
Programme

August 2021



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I. Executive Summary

WFP Colombia Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Colombia that focused on beneficiary management, cash-based transfers, monitoring, supply chain, finance and cross-cutting aspects of risk management, covering the period from 1 January 2020 to 28 February 2021.
2. As defined in the Country Strategic Plan 2017–2021, operations in Colombia include a variety of interventions ranging from emergency food assistance to resilience and national capacity strengthening projects. Expenditures pertaining to the Country Strategic Plan from 1 January 2020 to 28 February 2021 amounted to USD 135.6 million. In March 2021, the Country Office launched its new Country Strategic Plan for 2021-2024, which the audit does not cover.
3. The audit focused on WFP's programme implementation under Strategic Outcome 2 of the Country Strategic Plan "Crisis-affected populations, including victims of violence, natural disasters and shocks, marginalised communities and vulnerable ethnic populations have adequate access at all times to nutritious foods and diversified diets, and are supported in establishing or improving their livelihoods", representing 77 percent of the Country Strategic Plan expenditure in 2020.
4. 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

5. 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

6. Before 2018 the country office predominantly implemented capacity strengthening activities; as such there were limited structures, systems, procedures and capacity to respond to the emergency which started in 2018 with large numbers of migrants arriving in Colombia from the Bolivarian Republic of Venezuela. WFP declared a Level 2 emergency in March 2018, managed directly by the Regional Bureau for Latin America and the Caribbean for one year, then brought back and integrated into the country office operations. The country office managed to rapidly attract more funding and scale up its operations in response to a marked increase in the demand for assistance to Venezuelan migrants, as well as in relation to the COVID-19 health emergency.
7. In order to address structural gaps, mostly related to the shift from capacity building to emergency activities as noted above, country office management re-established a Programme Unit and created both a dedicated Budgeting and Programming Unit and a Vulnerability Assessment Mapping Team to assist with beneficiary management.
8. Several positive practices were noted over the audit period. In response to the COVID-19 pandemic the Monitoring Unit switched to remote monitoring with beneficiaries and periodic visits to vendors and partners. The country office carried out mandatory assessments of financial service providers in preparation

¹ See Annex B for definitions of audit terms.



to expand cash-based transfers and, despite a high volume of work, assessments of retailers were timely and complete.

Main areas for improvement

9. The country office rapidly scaled up assistance while rebuilding internal capacity. Yet design weaknesses and operational gaps in key processes represented serious risks to the audited entity achieving its objectives. Controls in some key areas were not adequately established or working properly, notably in programme design and transfer reconciliations, limiting the assurance that could be provided on the delivery of benefits to intended recipients. The audit acknowledges the substantial challenges faced by the country office in meeting the humanitarian needs created by the Venezuelan migration crisis, while at the same time coping with the COVID-19 emergency. However, there were no significant resource, capacity, or other external constraints that prevented the country office from establishing and maintaining adequate and effective internal controls. In view of the continuing crisis and the growing financial resources and operational footprint of WFP in Colombia, the gaps identified by the audit need urgent redress to provide reasonable assurance over the effective and efficient planning and delivery of assistance and safeguarding of financial resources.

10. The country office heavily relied upon cooperating partners for targeting, selection, registration, and identification of beneficiaries, without robust beneficiary verification mechanisms. As a result, the country office's processes for beneficiary targeting at the geographic and household levels could not sufficiently ensure that limited resources were directed to the most vulnerable.

11. Weaknesses extended to distribution planning and benefit transfer reconciliations, although efforts to address those were noted by the auditors. Documented reconciliations of cash-based transfers through vouchers only began two years after the implementation started, in July 2020, and in most cases the country office did not independently obtain data to effectively carry out this key detective control. Similar reconciliation issues were present for in-kind transfers, and at the time of the audit these had not been finalised for transfers that occurred in 2020. Though difficult to quantify, the control weaknesses associated with delivery through some mechanisms exposed the country office to material losses.

12. Non-compliance with certain corporate standards compromised the effectiveness of internal controls. This included decisions by former management not to use corporately mandated tools and applications, resulting in a high degree of uncertainty regarding the accuracy of figures in the Annual Country Report. The audit noted that monitoring and enforcement of compliance was absent, compounded by lack of accountability for non-compliance. Instances of circumvented controls in the area of procurement were noted by the audit.

13. Internal control gaps were partly rooted in structural weaknesses and misalignment of the country office's Information and Technology landscape with corporate standards (and previous decisions not to implement those). While the country office began addressing its Information and Technology systems and data issues, at the time of the audit these continued to undermine data quality and reliability in the areas of beneficiary registration, reconciliations, monitoring, and complaints and feedback management.

14. The audit report contains four high and two medium priority observations, two of which have agreed actions directed at the regional and corporate levels. Management has agreed to address the reported observations and 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.



II. Country context and audit scope

Colombia

16. Colombia is the fourth largest country in South America, with a population of 50.4 million. According to the most recent World Bank classification, it is an upper-middle-income country and the fourth-largest economy in Latin America. Efforts by the Colombian government lifted 4.7 million people out of poverty, and 2.8 million out of extreme poverty, between 2010 and 2018. Yet, the country faces challenges in achieving sustainable development goals (SDGs). An estimated 6.3 million people are vulnerable to natural disasters and violence perpetrated by illegal organised armed groups, including 5.1 million in need of humanitarian assistance.

17. In addition, the country has faced growing challenges in recent years with the arrival of large numbers of migrants from the Bolivarian Republic of Venezuela. This migration movement is the largest in the modern history of Latin America and the Caribbean and the second largest at the global level.

18. Colombia has also been severely affected by the coronavirus disease (COVID-19) pandemic since March 2020. The impact of the pandemic is estimated to result in Colombia's gross domestic product falling by 5.5 percent, undoing much of the country's socio-economic achievements of the past decade.

WFP operations in Colombia

19. The first WFP Country Strategic Plan (CSP) for Colombia covered the period 2017–2021. The CSP focused on five strategic outcomes: improving food system sustainability, strengthening capacity to achieve the SDGs, strengthening the food security and nutrition of smallholders, preventing malnutrition and supporting populations affected by emergencies and their livelihoods.

20. During the implementation of the CSP, significant changes occurred in the country context, particularly the surge of mixed migration from the Bolivarian Republic of Venezuela and the COVID-19 pandemic affecting Colombia from March 2020. WFP gradually shifted its intervention from development and capacity-strengthening to a nexus crisis response to respond to the country's food and nutrition assistance needs, declaring a Level 2 emergency in March 2018.

21. These changes required drastic programmatic and operational adjustments and adaptations by the country office (CO) reflected in ten budget revisions since 2017. As of June 2020, the CSP had reached a total needs-based value of USD 419 million, a 400 percent increase from the initial plan.

22. In March 2021, WFP launched its second-generation CSP for the period 2021-2024 with plans to assist 1.4 million beneficiaries in 2021, including 1.2 million under activity 2 (crisis response): *Provide humanitarian assistance and access to services to Venezuelan migrants, Colombian returnees and members of host communities*. Other activities provide technical support and strengthen government capacity in school feeding (resilience building), strengthen institutional capacities, and facilitate the socio-economic integration of crisis-affected people (crisis response).

Objective and scope of the audit

23. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to WFP operations in Colombia, covering the period from 1 January 2020 to 28 February 2021. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on the same topics.

24. 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:



25. Related to the CO's 2017–2021 CSP, the audit focused on programme implementation under Strategic Outcome 1 "Crisis-affected populations, including victims of violence, natural disasters and shocks, marginalised communities and vulnerable ethnic populations have adequate access at all times to nutritious foods and diversified diets, and are supported in establishing or improving their livelihoods". This outcome represented 77 percent of the CO's total expenditure over the audit period.

26. 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 (ERM) at the end of 2020 were considered and included when relevant.

27. OIGA supplemented this pre-determined scope with a CO risk assessment to identify any additional processes to be included in scope for the audit. Reliance was placed on second line assurance work where relevant, to minimise duplication of efforts.

28. The audit fieldwork took place between 22 March and 23 April 2021 and was completed remotely due to COVID-19 restrictions.



III. Results of the audit

Audit work and conclusions

29. The six observations arising from the audit are presented below, where relevant grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 25), and an initial section to capture cross-cutting issues.

30. 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 related audit observations and respective priority ratings (red for high and yellow for medium priority observations). Any other issues arising from the audit which were assessed as a 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 poor governance and compliance with corporate standards, a failure to identify, monitor, and mitigate risks across programme implementation, and IT systems and data issues that undermined the CO's quality and reliability of information.

Cross-cutting

Observation 1: Governance and compliance with corporate standards

32. The audit identified numerous instances of non-compliance with corporate standards, control circumvention and management practices that weakened accountability in key functions and processes. The aggregated effect of these individual issues had an adverse impact on the CO's internal control environment and its effectiveness.

33. While many issues noted during the audit had been reported upon by an oversight mission conducted by the Regional Bureau for Latin America and the Caribbean (RBP) in February 2020 and/or disclosed by the CO through the Management Assurance Project conducted in November 2020, related risks, some of them significant, remained unmitigated and continued to impact the integrity of WFP's operations in the country.

Evidence-based reporting

34. The CO did not fully use the corporately approved tool, COMET, for performance monitoring; the CO's former management had instead decided to use a parallel application. An RBP oversight mission in February 2020 did not report this issue.

35. As a result, several key processes and controls were not enforced, and critical programme data was not consistently collected and vetted to provide robust evidence of the programmatic results achieved. For 2020 the validation status of distribution reports stood at 32 percent, even after the finalisation of the Annual Country Report for the same year. There was a limited audit trail to validate actual beneficiaries reached, and reported figures were in some cases based on planned numbers.

Circumvention of internal controls

36. The audit identified procurement activities outside of applicable delegated authority levels. For example, in 2020, the CO acquired USD 140,000 worth of IT equipment using 53 micro-purchase orders without complete supporting documentation. The CO did not have the capacity to oversee purchases performed by staff with delegated authority outside of the procurement unit.



Dilution of accountability

37. A review of the users in the SCOPE application revealed an unusually high number of users who could import beneficiary data, create payment lists, and download transfer instructions to retailers. Likewise, an unusually high number of staff were appointed to participate, on a rotational basis, in key committees and acting in an advisory role to the purchasing authority. Many staff had a bank signatory profile and could approve transactions, which was also done on a rotational basis.

38. While compliant with a literal interpretation of corporate policies, these practices weakened the CO's internal control environment, diluted accountability, and had the potential to affect the dedication and effectiveness of committee members' participation.

Decentralised organisational structure

39. The CO had adopted a decentralised model and approach to management, delegating responsibilities to field offices for programme, monitoring and support functions within defined delegated authorities, and coordinated by a Field Support unit. With the exception of finance and administration processes, there was no systematic and documented monitoring and management oversight of field offices; such oversight would have aided in the timely detection and management of issues raised above and in observations 3 and 6 of this report.

Underlying cause(s): Lack of management accountability; non-compliance with corporate standards and deviations from corporate authorised IT systems and processes; complex operational design and decentralised structure; absence of a compliance function in the CO; recommendations from an organisational alignment review conducted by headquarters in 2019 to establish a compliance function not actioned; lack of risk management practices to assess the impact of operational arrangements; adoption of risk appetite without compensating monitoring and oversight controls.

Proposed Actions [High priority]

1. The CO will:
 - i) Establish a compliance committee, as recommended by the 2019 organisational alignment review.
 - ii) Review current roles in WINGS and SCOPE to ensure they are assigned on an "as needed basis", limiting number of staff assigned key roles, and revise the compositions of key committees to ensure continuity and accountability.
 - iii) Develop risk-based and documented oversight of decentralised activities and field office operations.
2. RBP will develop a specific time-bound plan for frequent monitoring and verification of progress towards implementing recommendations issued by the second and third lines of defense until all major risks have been reasonably mitigated.

Timeline for implementation

31 March 2022



Observation 2: Programme design

40. Colombia has experienced a continuous and dynamic influx of migrant populations since 2017. The sudden and massive impact of the COVID-19 pandemic also led to numerous requests for assistance from local governments. Within this context, the CO did not comprehensively document the key elements supporting its programme design, including the collection of beneficiary data and selection of transfer modalities.

Targeting strategy and geographic targeting

41. Over the audit period, the CO, with other humanitarian actors in Colombia, conducted vulnerability and needs assessments of the migrant populations. It developed a targeting strategy for the crisis in 2019 but had not yet updated it with the latest needs assessments. The strategy also failed to consider all implementation modalities, and did not address how resources should be prioritised and allocated amongst the various modalities and geographic areas.

42. Additionally, the link between the needs assessments and established targeting criteria was unclear, particularly on how areas of intervention were determined. Likewise, due to the high volume of requests for assistance to populations affected by COVID-19, the CO was challenged to consistently apply established prioritisation criteria in selecting areas of intervention.

Beneficiary management

43. Throughout the audit period beneficiary data was predominantly collected by cooperating partners (CPs) in unprotected spreadsheets and shared with the CO via unsecured exchange protocols. The CO was in the process of implementing several initiatives to strengthen processes at the time of the audit.

44. In July 2020 the CO conducted a thorough privacy impact assessment (PIA) in the department of Nariño, and, at the time of the audit, was working to mitigate risks identified in other intervention areas, including undocumented beneficiary consent in the collection of personal data, as well as other data protection, privacy, and quality issues.

45. Decisions to strengthen controls over beneficiary data management were made as an iterative process as the CO piloted several initiatives, including developing a stand-alone application for hot meal beneficiaries in collaboration with RBP and headquarters. These efforts, however, led to increased diversity and, in turn, complexity in the beneficiary management processes, impacting the mitigation of data-driven risks. A comprehensive analysis articulating a clear vision was missing to support CO decisions regarding beneficiary data collection.

Delivery modalities and mechanisms

46. The CO implemented in-kind assistance and cash-based transfers (CBT) through a wide array of transfer mechanisms – including in-kind, hot meals, food kits, value and commodity vouchers, and cash – increasing complexity of processes and exposing the operations to various unmitigated risks, including the risk of fraud. These included an overly complex process for reconciling transfers to over 100 retailers without a transfer management platform, and a lack of control over the gift card modality (discontinued at the time of the audit); these issues are further detailed in observation 4.

Underlying cause(s): Emergency response with an imperative to deliver, and complexity of assisting highly mobile populations; impact of COVID-19 health protocols; inadequate risk management practices to assess and manage the impact of operational arrangements; 2019 cost-efficiency analysis focused on an assessment of modalities (in-kind vs CBT), but not at the mechanism-level (cash or vouchers with small or large retail network).


Proposed Actions [High priority]

The CO will:

- i) Review the targeting strategy and clarify criteria for geographic targeting, particularly for Venezuelan migrants.
- ii) Expand PIAs to other areas of the country as per applicable guidance.
- iii) Document decisions regarding beneficiary data management based on an analysis of programme needs, assurance objectives, costs, and risk appetite.
- iv) Update the cost-benefit analysis of available transfer modalities and mechanisms, including an analysis of key associated risks.

Timeline for implementation

31 March 2022

Observation 3: Distribution planning

47. The CO's processes and controls over distribution planning were not mature. Several areas required improvement to ensure greater effectiveness and efficiency of the distribution cycle through eight sub-offices, 70 cooperating partners, and over 100 retailers.

48. The audit trail over distribution planning was not sufficient to ensure plans and subsequent changes were approved by management. Quarterly distribution plans were not consistently signed-off by management during the audit period. Food and voucher transfer instructions were documented in varying templates or emails and issued without approval by the Head of Programme. For three out of 17 distribution points sampled for review, the audit noted that the actual transfer modality differed from the planned one.

49. Instructions from the Programme Unit did not allow sufficient time for proper planning of transport activities, leading to post-factum approval for 80 percent of transport purchase orders. The annual procurement plan did not include commodities, limiting CO's ability to establish sourcing strategies.

Underlying cause(s): Emergency response and imperative to deliver; use of shadow IT systems; lack of risk management practices to assess the impact of operational arrangements; Resource Management Committee meetings not systematically documented.

Proposed Actions [Medium priority]

The CO will:

- i) Ensure distribution plans are systematically approved by management.
- ii) Develop standard operating procedures (SOPs) and timelines for the issuance of programme instructions. These should be linked to the use of COMET (refer to observation 1).

Timeline for implementation

31 March 2022



Observation 4: Ineffective reconciliations of transferred benefits

50. The CO started to document and validate monthly CBT reconciliation reports in July 2020, following an RBP oversight mission in February 2020. Reconciliation activities before this date were not consistently performed or documented; recent efforts to reconcile 2020 CBT and in-kind transfers were pending finalisation and CO management approval at the time of the audit. In particular, the reconciliation of gift cards distributed to migrant populations for food and/or other items between 2018 and March 2020 as part of the Level 2 emergency response had not been finalised; although actual losses were not fully quantified at the time of the audit, there were USD 2 million of unreconciled benefits associated with this activity alone.

51. The CO did not independently obtain the necessary data to perform voucher reconciliations, increasing the risks of error or manipulation by vendors or staff and compromising the integrity of traceability and reconciliation of transactions:

- Close to 100 small retailers, representing approximately 50 percent of CBT value, received voucher transfer instructions and shared redemption reports in spreadsheets via emails.
- Voucher redemption reports from the largest retail chain, representing about 20 percent of CBT value, were obtained via email due to the inability of the CO to use their online platform.

52. A similar issue was noted when reconciling cash distributions made through a financial service provider (FSP), representing 10 percent of the CBT distributions. The corporate agreement requires the FSP to establish an interface between its system and SCOPE for automated reconciliations, a solution not yet fully rolled out by headquarters at the time of the audit. Nine other COs had contracted the services of this FSP at the time of the audit.

53. In view of these issues of reconciliation of transferred benefits (both in-kind and CBT) the audit could not provide assurance on the effectiveness of key controls needed to ensure benefits reached intended recipients over the audit period. At the time of the audit, the CO was investing resources and taking actions to remedy these issues.

Underlying cause(s): Lack of risk management practices to assess the impact of operational arrangements; CBT reconciliation SOPs not providing sufficient detail of the activities to be performed; lack of efficient, independent and reliable transactional data from vendors; absence of timely recorded distribution figures in corporate systems.

Proposed Actions [High priority]

1. The CO will:
 - i) Finalise the reconciliation of cash-based and in-kind transfers to beneficiaries in 2020.
 - ii) With support from WFP's Legal Office, pursue recovery of any unreconciled amounts from relevant vendors.
 - iii) Review its SOPs for CBT reconciliations and ensure data to perform reconciliations is obtained through trustworthy channels.
 - iv) Develop SOPs to ensure distribution figures are up to date in corporate systems. These should be linked to the use of COMET (cf. observation 1).
2. TEC will implement the settlement and reconciliation functionalities with the FSP in SCOPE.

Timeline for implementation

1. 31 March 2022
2. 30 November 2021



Observation 5: IT governance and data integrity

54. Prior to the audit period, for several key processes the then-CO management adopted local IT solutions whose safeguards and controls were weaker than corporate standards. This issue, known to current management, was noted by an RBP oversight mission in February 2020 although the impact on reporting in COMET had not been flagged.

Project governance

55. Since 2015 the CO has used a locally developed application (C-SMART) for beneficiary information and transfer management. In June 2019 it initiated a transition to the corporate application (SCOPE) which, due to the impact of COVID-19, remained incomplete at the time of the audit. This led to the concurrent use of both the C-SMART and SCOPE systems, plus spreadsheets, increasing risks over data quality and integrity. It also contributed to the issues described in observations 3 and 4, related to distribution planning and reconciliations of transferred benefits respectively.

56. Due to high staff turnover in the CO Technology Unit, the Programme Unit temporarily assumed responsibility for technical tasks, such as developing a data warehouse, blurring the roles and responsibilities between the two units². In 2021 the Programme and Technology units agreed on a technology roadmap (focused on CBT), listing activities and timelines to address issues. In addition, the CO set up a Task Force comprised of key staff from several units to pilot its implementation. However, a lack of defined accountability and monitoring mechanisms put at risk the project's delivery. Projects outside the CO's technology roadmap were also delayed (for example a beneficiary complaints and feedback management system).

Data integrity, privacy and protection

57. The CO's IT ecosystem carried significant data integrity and data protection risks.

- The CO's data warehouse was hosted in SharePoint, mirroring most of SCOPE's data, including personally identifiable information (PII) and retailers' redemption reports. Controls in terms of access rights to the data warehouse were not as strong as recommended by corporate standards and best practices.
- A locally procured business intelligence tool gave read access to SCOPE data, including PII, to unauthorised users.
- A non-corporate web-based application was used to collect monitoring data. For the monitoring of COVID-19 distributions up to 15 percent of users were not CO staff and collected significant portions of monitoring information, including PII.
- The complaints and feedback mechanism (CFM) log was managed in spreadsheets, putting at risk the log's accuracy, completeness, and integrity. The status of implementation of the corporate CFM tool, SUGAR, was unclear despite being initiated in 2019.

58. Although the CO gradually increased staffing of the Technology Unit, it did not have sufficient capacity throughout the audit period to provide support to other functional units. These issues impacted the CO's ability to integrate systems and generate reports and information for decision-making and risk management. They acted as a contributory cause to other observations in this report.

² The audit noted that the monitoring unit had similarly assumed responsibility for technical tasks in the management of their non-corporate monitoring platform, KoBo, and the non-corporate complaints and feedback mechanism. See Observation 6 for further information.

Underlying cause(s): Implementation of C-SMART deviating from corporately approved applications and security framework; Technology Unit staff turnover impacting capacity; impact of COVID-19 on operations; inadequate project governance framework.

Proposed Actions [High priority]

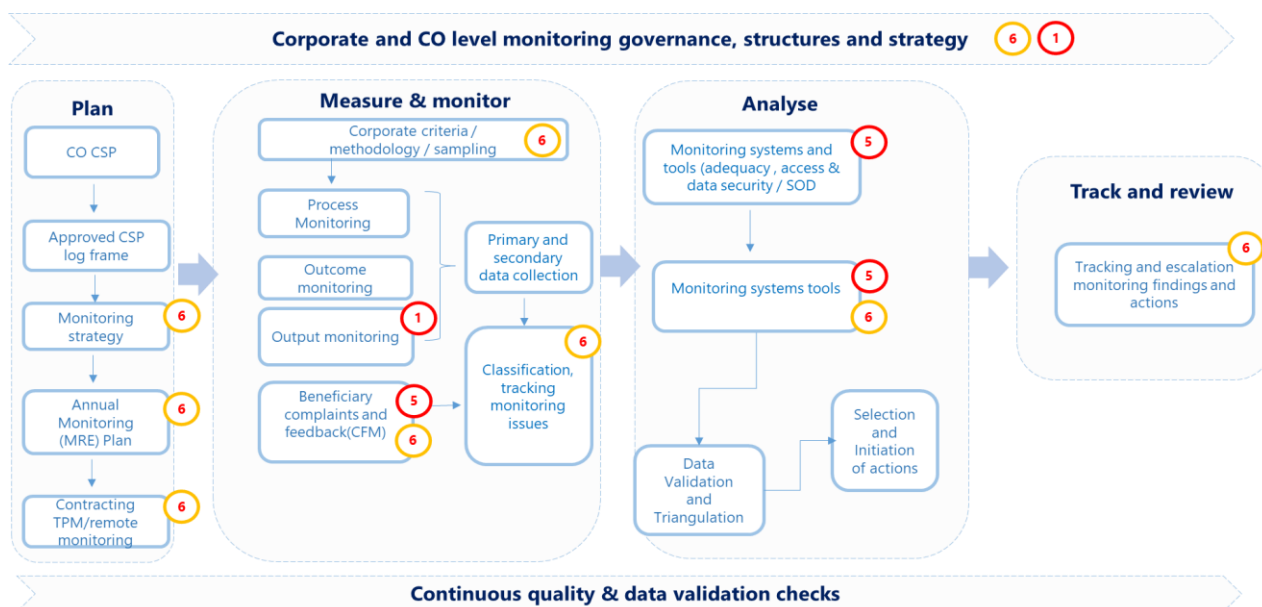
The CO will:

- i) In consultation with RBP, finalise a comprehensive technology roadmap including milestones to transition to corporate systems.
- ii) Review project governance to strengthen ownership and accountability, and consider appointing a Project Manager.
- iii) Ensure staffing of the technology unit is aligned with a plan of activities.

Timeline for implementation

31 March 2022

Monitoring



Observation 6: Risk-informed monitoring

59. The CO planned for and regularly performed monitoring activities across the country through CPs and field office staff, despite the challenges, access limitations, and unpredictable nature of work as a result of the COVID-19 pandemic. The value and effectiveness of this monitoring work could be improved by more coherent and consolidated planning, a more explicit and detailed assessment and mitigation of relevant risks in programme design and delivery, and monitoring work.



Governance, strategy, roles and responsibilities

60. The CO had a monitoring strategy, updated in 2020 in response to the COVID-19 pandemic, which was used as an example for some other COs in the region. Nevertheless, the strategy could have more comprehensively and explicitly documented how the office planned to respond to all of the implementation modalities and beneficiary populations, and by considering the roles and responsibilities of the various parties involved in monitoring.

61. The CO Monitoring Unit was challenged to provide a clear overview of who performed what monitoring activities and where; and, while WFP field office monitoring staff functionally reported to the CO Monitoring Unit, in practice they appeared to report primarily to activity managers. Due to pressure to deliver to beneficiaries in the midst of the COVID-19 pandemic, guidelines were not properly followed in some specific instances and CPs performed roles in beneficiary management, programme implementation and monitoring, without the segregation of duties expected between these activities.

62. Throughout the year the Monitoring Unit provided capacity development to both field offices and CPs who were involved in monitoring. However, CO-specific monitoring standards and information were not documented or disseminated to field office and CPs monitoring staff in sufficiently detailed SOPs.

Planning

63. Planning of monitoring activities was not sufficiently documented for the following reasons:

- Quarterly monitoring plans were completed by field offices without a consistent format and approach, impairing their consolidation and the ability to assess overall coverage of monitoring activities and compliance with corporate Minimum Monitoring Requirements.
- Criteria and methodology for the selection, sampling and frequency of visits to sites, providers, and partners were unclear.
- Significant reliance was placed on CPs throughout the beneficiary management cycle (targeting, selection, registration) and the scope and consistency of independent beneficiary verification mechanisms were insufficient to ensure objectives of this monitoring activity were met.
- The CO monitoring unit did not regularly review monitoring plans versus actual work performed, delegating this to the field offices. This arrangement made it difficult to proactively identify gaps in monitoring coverage, weakening the robustness and reliability of the monitoring process.

Monitoring issue tracking & Complaints and Feedback Mechanism (CFM)

64. The CO used a tracker to log and track progress on monitoring issues, with improvement actions, deadlines and responsible areas defined. However, it did not include all issues identified and there was no clear trail as to how issues were raised in the tracker. There was no accompanying SOP to define how to add or manage issues and to ensure that monitoring results systematically informed programme activities, for example through delivery mechanisms or work with retailers. Issue priority was not assigned, and individual responsibility for follow-up actions was not clearly identified.

65. While there was an established CFM with a systematic process to receive and categorise calls, inherent flaws in its design (see Observation 5) did not ensure proper identification and management of risks. The CFM hotline itself was not free of charge, potentially discouraging beneficiaries from using it; 57 percent of beneficiaries were unaware of the CFM mechanisms, with the number increasing to 74 percent in border areas.

66. Regular access to the monitoring issue tracker and CFM reports was not provided to or reviewed by key personnel, for example the head of the Programme Unit, but rather was filtered directly by field offices for follow-up, impairing accountability for the timely resolution of the issues detected.



Underlying cause(s): Unclear roles and responsibilities; lack of adherence to corporate policies, procedures and best practices; limited engagement between programme and monitoring units; lack of compliance with corporate guidance in the identification, contracting and management of CPs for monitoring activities.

Proposed Actions [Medium priority]

The CO will:

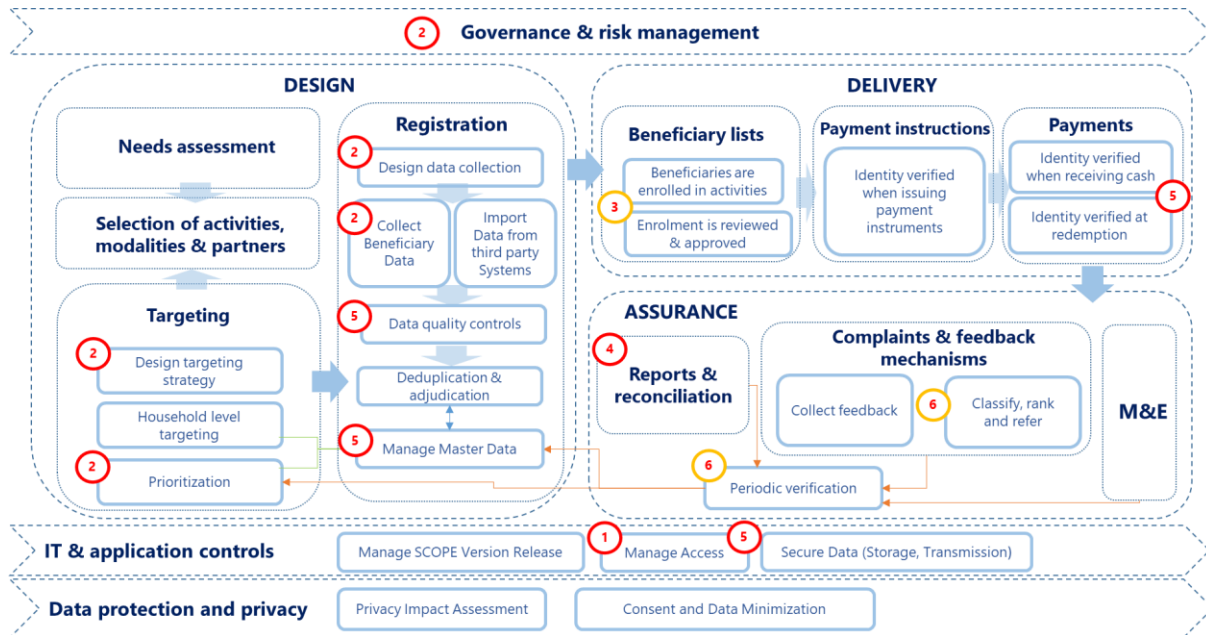
- i) Establish SOPs and templates and provide guidelines to field offices for planning monitoring activities based on the risk profile of modalities and local context (see also Observation 3).
- ii) Consolidate a CO-level monitoring plan.
- iii) Expand and systematize beneficiary verification exercises to be carried out periodically by CO personnel or through mechanisms or parties independent from the CPs carrying out targeting, selection and registration of beneficiaries, or delivery of assistance.
- iv) Improve the design of the CFM by:
 - Transitioning to the corporate solution CFM (SUGAR).
 - Increasing involvement of the Programme Unit in the follow-up and closure of actions.
 - Increasing awareness amongst beneficiaries.
 - Launching a toll-free hotline.
- v) Redesign processes to ensure tracking, referral, escalation, resolution, analysis and reporting of monitoring and CFM issues.

Timeline for implementation

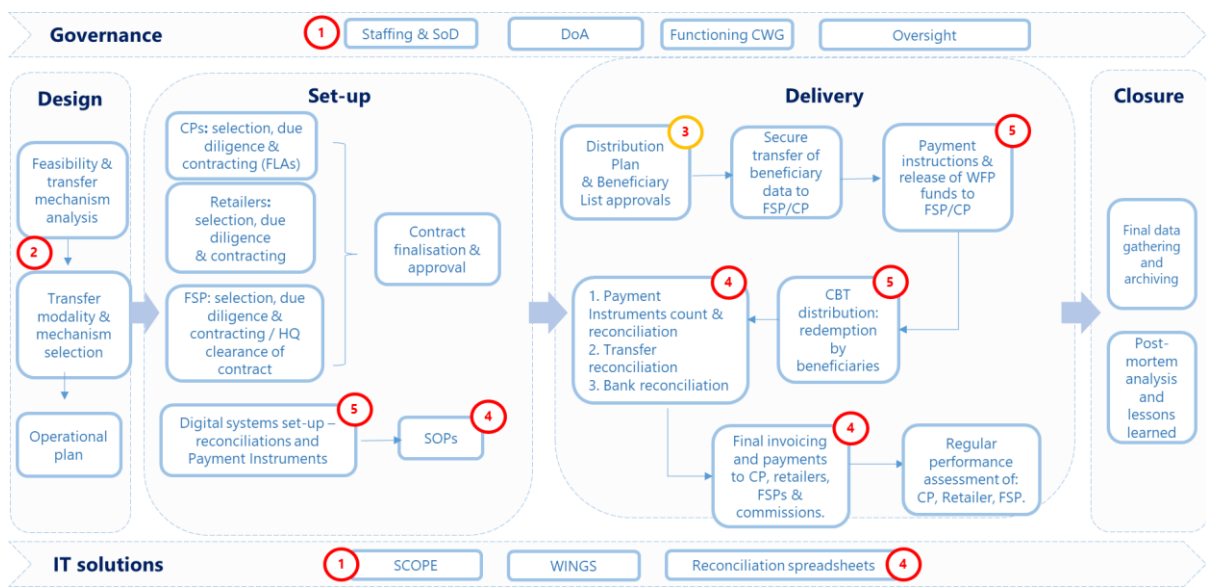
31 December 2021

67. The processes and controls reviewed by the audit related to the areas of Beneficiary Management, Cash Based Transfers, Supply Chain, and Finance are illustrated in the schematic diagrams below. All reportable findings in these areas were consolidated into cross-cutting observations numbers 1 to 5 above; these are indicated in the diagrams with reference to the relevant observation.

Beneficiary Management



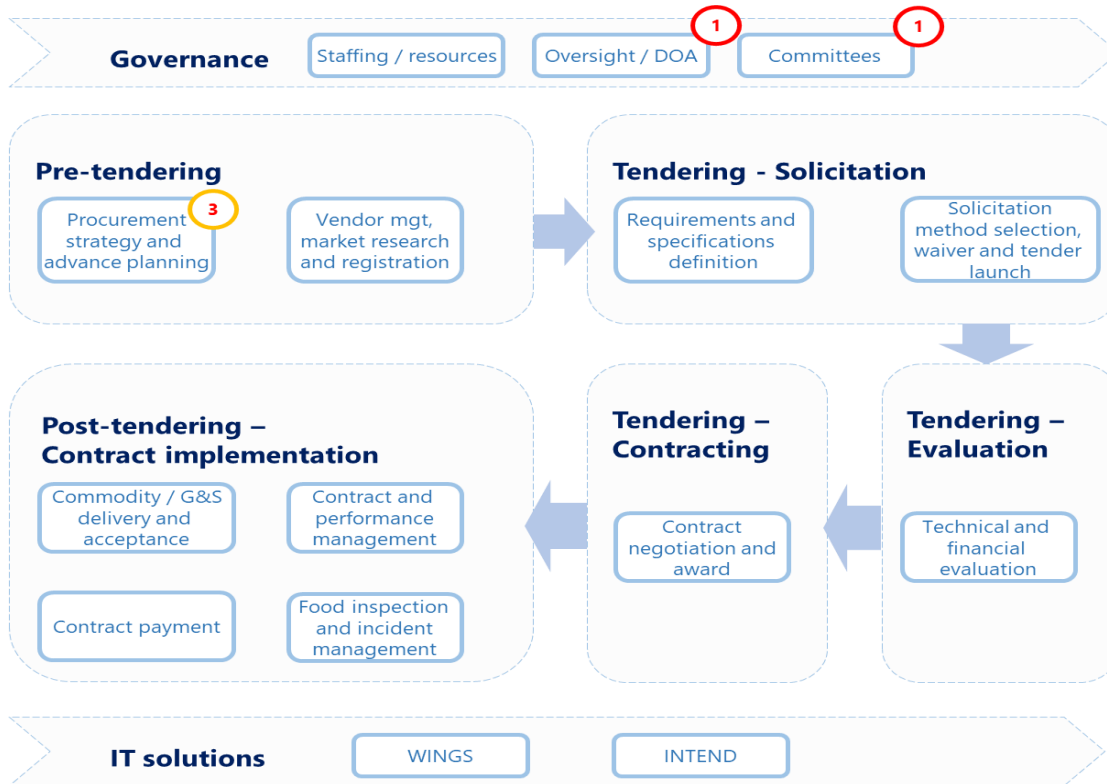
Cash Based Transfers



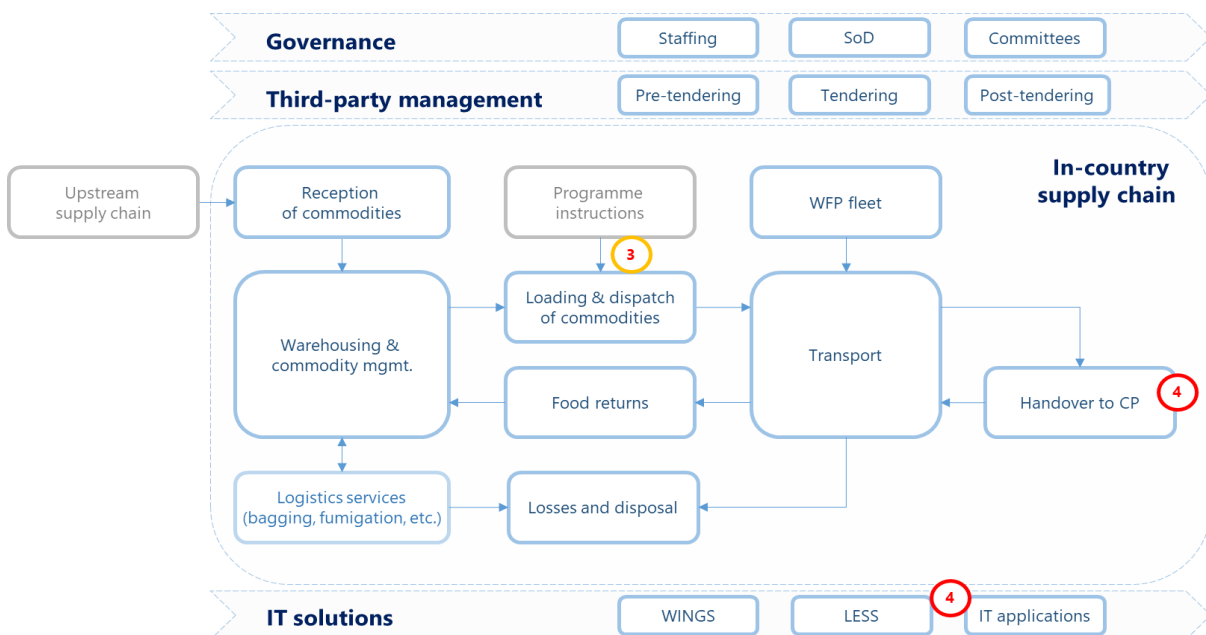


Supply Chain

Procurement

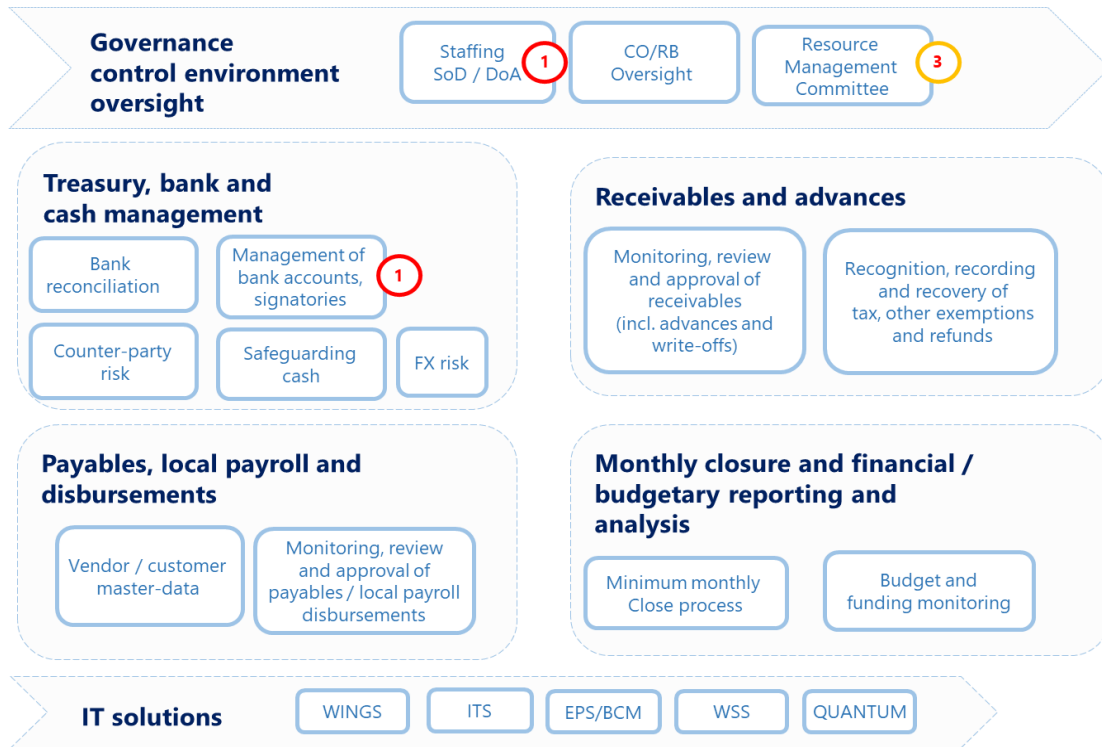


Logistics and commodity management





Finance





Annex A – Agreed action plan

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

The agreed action plan is primarily at the CO level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Governance and compliance with corporate standards	Cross-cutting	CO RBP	High	31 December 2021
2	Programme design	Cross-cutting	CO	High	31 December 2021
3	Distribution planning	Cross-cutting	CO	Medium	31 December 2021
4	Ineffective reconciliations of transferred benefits	Cross-cutting	CO TEC	High	31 December 2021 30 November 2021
5	IT governance and data integrity	Cross-cutting	CO	High	31 December 2021
6	Risk-informed monitoring	Monitoring	CO	Medium	30 September 2021

Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonised 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 categorised 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 organisation 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.³

³ 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

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
ERM	Enterprise Risk Management Division
FSP	Financial Service Provider
OIGA	Office of Internal Audit
PIA	Privacy Impact Assessment
PII	Personally Identifiable Information
RBP	Regional Bureau for Latin America and the Caribbean
SCOPE	WFP's beneficiary information and transfer management platform
SDGs	Sustainable Development Goals
SOP	Standard Operating Procedure
TEC	Technology Division
USD	United States Dollar
WFP	World Food Programme
WINGS	WFP Information Network and Global Systems