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# Internal Audit of WFP Operations in Mali

Office of the Inspector General  
Internal Audit Report AR/21/16



World Food  
Programme

September 2021



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## I. Executive Summary

### WFP Mali Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Mali that focused on beneficiary management, cash-based transfers, monitoring, supply chain, finance, cooperating partner management, and humanitarian access. The audit covered the period from 1 January 2020 to 30 April 2021. Expenditure pertaining to the Country Strategic Plan for the period amounted to USD 130 million.
2. As defined in the Country Strategic Plan<sup>1</sup> 2020–2024, operations in Mali aim to maintain the country office's capacity to respond to emergency needs while increasing the focus on developing government emergency response and preparedness capacity, and fostering increased resilience. The audit focused on WFP's programme implementation under Strategic Outcomes 1 and 4 of the Country Strategic Plan, representing 74 percent of the plan's expenditure over the audit period:
  - Strategic Outcome 1: "Crisis-affected people in targeted areas, including refugees and internally displaced persons, are able to meet their basic food and nutrition needs during and in the immediate aftermath of crises".
  - Strategic Outcome 4 "Communities in targeted areas, including smallholder farmers (particularly women-led groups), have more resilient livelihoods for improved food security and nutrition throughout the year".
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 **ineffective / unsatisfactory**.<sup>2</sup> 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 should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity. Urgent management action is required to ensure that the identified risks are adequately mitigated.
5. The audit acknowledges the structural issues and operational challenges driven by a difficult environment in Mali. However, significant control gaps and weaknesses were identified which could not in all cases be explained by reference to contextual issues, and which were attributable in part to both poor risk management processes and a lack of compliance with corporate requirements.
6. A clear risk appetite framework was not in place to guide decision making and assumption of risks. The audit observed practices and decisions which in some cases exceeded corporate risk appetite levels; it was not possible to conclude whether these practices and decisions may have been justified on the basis of programme criticality.
7. An example of such a decision was the significant scale-up of paper value vouchers from their introduction in 2017 to reach USD 48 million in 2020, despite an inability to perform reconciliations at the beneficiary level. Paper vouchers accounted for 80 percent of assistance via cash-based transfers, which in turn represented approximately 80 percent of the country office's transfer modalities. Several other risks related to paper vouchers had not been documented and mitigated by the CO, including potential conflicts of interest of traders contracted for retail and

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<sup>1</sup> WFP Mali [Country Strategic Plan](#)

<sup>2</sup> See Annex B for definitions of audit terms.



transport activities, sub-contracting, and food safety and quality. Completion of multisectoral and market assessments should inform the review of delivery modalities in the future.

8. Beneficiary registration and identification mechanisms were impacted by an overall absence of identity documents and access constraints. Together with poor governance, lack of capacity and weaknesses in process design, these issues further impacted the effectiveness of the design and delivery of processes related to cash-based transfers, and limited the level of assurance on the delivery of benefits to intended recipients. A planned shift to digital transfers through a scale-up of the corporate platform (SCOPE) is intended to improve beneficiary management processes, including addressing issues related to data privacy and protection and the level of assurance the country office is able to provide regarding delivery.

9. While access constraints are not new in Mali, stronger access-related processes and coordination mechanisms were required for targeting, programme design, implementation and monitoring. At the time of the audit regional access management tools were being developed; until these efforts are completed the country office should replicate effective practices applied in other countries, such as establishing an access team and clarifying its strategy to improve access.

10. Exposure to third-party and operational risks remained largely unmitigated as due diligence, vendor assessment and performance management processes did not adhere to corporate standards, particularly for financial service providers and retailers. In some instances, risk mitigation measures were rendered ineffective by non-compliance with existing contractual arrangements. The country office reported that it was planning to strengthen controls over cooperating partners (predominantly national non-governmental organizations and local government institutions) but had yet to pilot tangible initiatives in this area. The recent appointment of an international risk and compliance adviser is intended to help focus on addressing these gaps.

11. As with other Level 3 emergencies and WFP operations in the Sahel region, the country office suffered from staff shortages and high turnover, impacting continuity and efforts to build capacity, and partially explaining the gaps and weaknesses described above. An analysis of workload and staffing requirements was not carried out following the Central Sahel Level 3 emergency declaration in 2019 or the launch of a new Country Strategic Plan in 2020. Such a skills gap analysis should have informed plans to address staffing structures and capacity.

12. The audit noted that efforts were ongoing towards digitalization, with the country office having invested in scaling up the use of SCOPE, creating a dedicated unit and increasing staffing. The country office had also strengthened monitoring processes over the audit period, introducing a corporate platform enabling analyses of monitoring data, supported by appropriate skills in the Monitoring Unit. Remote monitoring increased to adjust to COVID-19 restrictions, and the shortlist of third-party monitors was expanded following a thorough selection process.

## Actions agreed

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

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



## II. Country context and audit scope

### Mali

15. Mali is a landlocked, low-income Sahelian country with a population of 19.1 million, ranking 182<sup>nd</sup> of 189 countries on the Human Development Index of the United Nations Development Programme. The combined effects of frequent drought and increased insecurity have contributed to a progressive deterioration of livelihoods and, on average, 3.6 million people – 18 percent of the population – are food-insecure each year.

16. In 2012, a rebellion in the north of the country was taken over by non-state armed groups, leading to international involvement and the deployment in 2013 of the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA). In August 2020, a military coup forced the president to resign and dissolve the Government and other institutions; this was followed by another coup in 2021, further aggravating political instability.

17. Marginalization and limited access to services and opportunities, combined with inter-communal conflict, have contributed to the expansion of non-state armed groups, illicit traffic and extremism. In recent years, insecurity has spread from the sparsely populated north of the country into its more densely populated centre. As of June 2021, there were 372,266 internally displaced persons and 588,235 returnees.<sup>3</sup>

18. Beyond the food and nutrition security situation and the direct impact of the immediate health-related crisis, COVID-19 is expected to have a significant socio-economic impact in the short, medium and long term as an additional 800,000 Malians may fall into poverty.

### WFP operations in Mali

19. In January 2020 WFP launched its Country Strategic Plan (CSP) for the period 2020–2024, and plans to assist 2.9 million beneficiaries with a needs-based budget of USD 553 million. In 2020,<sup>4</sup> the country office (CO) assisted 2.1 million beneficiaries through various cash-based interventions, representing approximately 80 percent of its programme, with in-kind assistance representing 20 percent.

20. The CSP's approach comprises three pillars: Pillar 1 focuses on assisting shock and crisis-affected vulnerable people; Pillar 2 relates to building the resilience of individuals, households and communities; and Pillar 3 will leverage WFP's expertise and operational capacity to help shape and institutionalize the emerging social protection system and reinforce national emergency response and preparedness systems.

21. In September 2019, WFP's Level 2 emergency response for Central Sahel – Burkina Faso, Mali and Niger – was elevated to a Level 3 emergency, later extended until December 2021.

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<sup>3</sup> United Nations High Commissioner for Refugees operational data portal [Link](#)

<sup>4</sup> 2020 Annual Country Report [Link](#)

## Objective and scope of the audit

22. 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 Mali. 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. The audit work took place between 14 June and 2 July 2021 and was completed remotely due to COVID-19 restrictions.

23. 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:



24. The audit focused on programme implementation under Strategic Outcomes 1 and 4 of the CSP, representing 74 percent of the CO's total expenditure over the audit period:

- "Crisis-affected people in targeted areas, including refugees and internally displaced persons, are able to meet their basic food and nutrition needs during and in the immediate aftermath of crises."
- "Communities in targeted areas, including smallholder farmers (particularly women-led groups), have more resilient livelihoods for improved food security and nutrition throughout the year."

25. 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.

26. OIGA supplemented this pre-determined scope with a CO risk assessment and identified the following additional processes to be included in scope for the audit: management of cooperating partners (CPs) and processes and coordination mechanisms to improve humanitarian access.

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



## III. Results of the audit

### Audit work and conclusions

28. The ten observations arising from the audit are presented below. Where relevant, they are grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 23), plus an initial section to capture cross-cutting issues.

29. 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.

### Cross-cutting issues

#### Observation 1: Governance, staffing and structure

##### *Reassignment process*

30. Challenges related to the continuity of staffing at the CO impacted programmes and operations over the audit period. Key positions were vacant for extended periods (some for up to two years) and had to be filled by consultants and temporarily deployed staff. The CO also saw several changes in the leadership team, with three Country Directors in 2020, and the Deputy Country Director position vacant for several months in 2021.

31. The CO faced similar challenges to those of some other WFP operations in attracting qualified personnel, including international professionals. Despite prioritized staffing for L3 emergencies as detailed in a 2016 Executive Director Memorandum, reassignment exercises had not successfully filled all open positions nor attracted the language skills needed in the CO. The lack of adequate staffing to support L3 emergency operations has been raised by OIGA in several audit reports<sup>5</sup> at a corporate level; at the time of this report, WFP management was working on actions to address the weaknesses identified and corresponding agreed actions, including regarding the lack of adequate staffing to support L3 emergency operations, and therefore no additional recommendation is included in this report.

##### *Staffing levels and skills*

32. Several CO units had limited staffing. For example: experienced staff were needed to strengthen Cash-Based Transfer (CBT) capacity at CO and sub-office levels; the procurement team was not sufficient compared to the level of procurement transactions; and there were no dedicated resources for CP management.

33. An organizational realignment exercise was last carried out in 2019. Staffing levels increased in 2021, and several changes were made to the CO organigramme, including restructuring of the Programme Unit and closure of the Mopti Area Office. However, with an evolving portfolio of activities and delivery modalities introduced by the CSP and activation of the L3 emergency response, the CO needed to analyse the level of resources required, its staffing needs and its operational model to accompany these structural changes effectively.

34. A recommendation to perform a skills gap and learning needs analysis issued by the Regional Bureau for Western Africa (RBD) in 2019 had not been implemented by the CO.

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<sup>5</sup> Internal Audit of the Reassignment Process ([AR/21/09](#)); Internal Audit of WFP Operations in DRC ([AR-20-12](#)); and Internal Audit of WFP's Level 3 Emergency Response for the Sahel ([AR/19/15](#)).



Underlying cause(s): Lack of staffing and capacity strategy to support the scale-up of humanitarian activities and L3 emergency response; weaknesses in the reassignment process to meet the CO's needs; Mali security context and living conditions resulting in the duty station not being attractive to international personnel; CO's inability to assess skills gap and learning needs; delays in the recruitment of the CO human resources officer; and staff turnover in management and key positions impacting the stability and continuity of operations.

#### **Agreed Actions** [Medium priority]

The CO will:

- i) With the support of RBD and headquarters, conduct an organizational realignment exercise to support the implementation of the CSP.
- ii) Perform a skills gap analysis and, based on its results, develop a sourcing, training and learning plan.

#### **Timeline for implementation**

31 March 2022

### **Observation 2: Humanitarian access**

35. The Mali country context is characterized by significant and escalating security risks, protracted armed conflicts, and increasing needs. Within this context, the combination of elements described below limited the CO's ability to maintain and extend humanitarian access to improve the design, implementation and monitoring of its programmes. This situation was further aggravated during the audit period by movement restrictions due to the COVID-19 pandemic.

#### *Access strategy and implementation*

36. The CO finalized an access strategy document in August 2020, providing a picture of humanitarian access conditions in field offices. However, the document was limited in its scope as it did not provide a clear strategic approach nor establish objectives, activities and expected results of improved access.

37. Several tools developed by the CO were outdated, including its mapping of actors in the field. Up-to-date information to develop and implement a negotiation approach was also absent.

38. While regional initiatives were ongoing to improve operational continuity and engagement in Sahel countries, five out of ten recommendations from a 2018 joint headquarters/RBD access mission were pending implementation, including the consideration of humanitarian access assessments into programme design.

#### *Coordination mechanisms*

39. The civil-military coordination (CM Coord) structure created by the Humanitarian Country Team (HCT) and headed by the Office for the Coordination of Humanitarian Affairs was decentralized with operational cells at the field level (Gao, Mopti, Timbuktu) and a strategic and decision-making cell in the capital, Bamako.

40. In the absence of an access team, the WFP Humanitarian Military Interactions Officer (HMIO) had been assigned a transversal role, including interactions with all units and sub-offices where necessary. While humanitarian access initiatives were planned by the HMIO, these were not always shared with management or clearly understood by the Programme Unit and sub-offices, and therefore were either not prioritized or were ultimately abandoned.

Underlying cause(s): Absence of a CO cross-functional access team; WFP humanitarian access-related activities carried out by the Bamako office with limited visits to the field and limited interaction with other humanitarian actors; staff turnover in the humanitarian interaction officer position; lack of training to familiarize staff with humanitarian access methods and tools; limited internal communication and external follow-up channels in CM





Coord between the strategic and operational cells to ensure coordination between humanitarian actors within the HCT.

#### **Agreed Actions** [High priority]

The CO will:

- i) Based on other COs' experience, establish a cross-functional humanitarian access team.
- ii) With the support of headquarters/RBD, review and revise the access strategy to include objectives, an action plan and resources.
- iii) With support from headquarters/RBD, organize humanitarian access training for relevant staff.

#### **Timeline for implementation**

31 March 2022

### **Observation 3: Risk appetite, management and risk sharing**

#### *Risk appetite*

41. The audit noted risk-hungry practices within the CO to ensure continuity of operations which were not, at times, aligned with WFP's corporate risk appetite statement.<sup>6</sup> For instance, the continuation of paper voucher distributions despite the CO's inability to perform reconciliations at the beneficiary level (see Observation 8); recontracting of a financial service provider (FSP) despite documented poor performance and risk of losses; and onboarding and/or recontracting of national CPs not meeting established selection criteria.

42. While the CO's operations take place in a context with inherent high risks making it susceptible to fraud, it had not defined a specific risk appetite framework in line with the 2018 ERM policy to guide operational decisions, designed to ensure alignment with WFP's risk tolerance for operations in Mali. Programme criticality may have justified the CO's decisions to exceed corporate risk appetite levels in some, but not all, instances.

43. Donors consulted during the audit expressed their interest in being made more aware of the challenges faced by the CO's field operations. A defined risk appetite statement would help the CO to share the risks it faces, while mitigating reputational risks in coordination with the broader humanitarian community.

#### *Risk management practices*

44. The CO's risk register identified risks, but corresponding mitigation actions were not well defined or were not yet implemented at the time of the audit. These included mitigations for risks relating to lack of resources and expertise to implement CBT operations, inherent fraud risks, and lack of access.

45. Several risks deriving from the main delivery modality, paper-based value vouchers, had not been documented and mitigated by the CO. These risks included potential conflicts of interest of traders contracted for retail and transport activities, sub-contracting, and food safety and quality.

46. The audit also noted that second and third-line oversight recommendations – in the range of several hundred over the past two years – were not consolidated, a practice that would improve follow-up with responsible units, enforce accountability and provide clear visibility on implementation status. Several observations in this report had already been identified during management oversight missions but remained open.

<sup>6</sup> WFP risk appetite statements [Link](#)



Underlying cause(s): Newly created risk and compliance adviser position; gaps in staffing / lack of sufficiently experienced staff; maturing CO risk management processes; lack of a communication strategy to increase engagement with donors on WFP's risk appetite and risk taking by the CO.

#### **Agreed Actions** [High priority]

The CO will:

- i) Reassess and update the risk register to define effective mitigation actions, and conduct a specific risk assessment of retail operations, including the definition of mitigating actions.
- ii) Consolidate and prioritize oversight recommendations.
- iii) In coordination with RBD and ERM, establish risk thresholds and monitor risks for timely escalation to senior management.
- iv) In line with the applicable guidance, share risk information with donors to mitigate WFP's reputational risks.

#### **Timeline for implementation**

31 March 2022

### **Observation 4: Third-party risks**

#### *Assessment of vendors*

47. Corporate policies require COs to assess vendors before contracting them to mitigate counterparty and operational risks. Instances of non-compliance with these policies were noted for all categories of vendors,<sup>7</sup> including transporters, goods and services suppliers, and retailers. Visits to vendor premises were not always conducted; there were inconsistencies in the documentation received; and due diligence was not undertaken systematically before signing contracts to ensure there were no pending issues or unexpected liabilities with selected suppliers.

#### *Cooperating partners as financial service providers*

48. The assessment of CPs was made based on self-declared information during the selection process. Some CPs contacted during the audit confirmed that they did not meet several selection criteria set by the CO.

49. CBT operations were implemented through CPs due to operational constraints. No assessment of the partners' financial and administrative capacities allowed for proper consideration of risks, their mitigation and targeted capacity-strengthening activities. Over the audit period, USD 7.5 million for cash distributions was channeled through several national government partners, a transfer modality that WFP corporate guidance recommends avoiding.

50. Discussions at the UN Country Team level were ongoing with agencies participating in the Harmonized approach to cash transfers (HACT)<sup>8</sup> framework at the time of the audit, and the CO was developing a standard operating procedure (SOP) on partnership management, including a risk management strategy. However, the CO had yet to carry out micro-assessments of CPs and implement a plan to ensure adequate financial and operational certification of programmatic activities. The CO's risk register identified these activities as measures to mitigate the risks of fraud. There was no roster for selecting CPs for CBT and in-kind activities.

<sup>7</sup> Findings related to due diligence of FSPs are presented in Observation 7.

<sup>8</sup> HACT framework [Link](#)



### *Performance management*

51. Performance evaluation processes did not capture poor vendor and CP performance, as evaluations were conducted at the sub-office level without systematic CO review and were mostly based upon subjective criteria. Overall, performance ratings did not vary meaningfully between vendors, and several cases of known poor performance had not been reflected in performance evaluations.

52. As such, performance issues were also not effectively addressed by capacity-building efforts, and the audit noted examples of poor performing vendors and CPs having their contracts extended during the audit period.

Underlying cause(s): Lack of a Vendor Management Committee and vendor management staff (previously recommended by RBD); gaps in staffing / lack of sufficiently experienced staff, including CP management staff; limited use of corporate tools for retailer selection; impact of COVID-19 restrictions; performance evaluations conducted as a compliance check and not used as an integral part of the vendor management cycle; newly created risk and compliance adviser position; and outdated vendor rosters and assessments.

#### **Agreed Actions** [High priority]

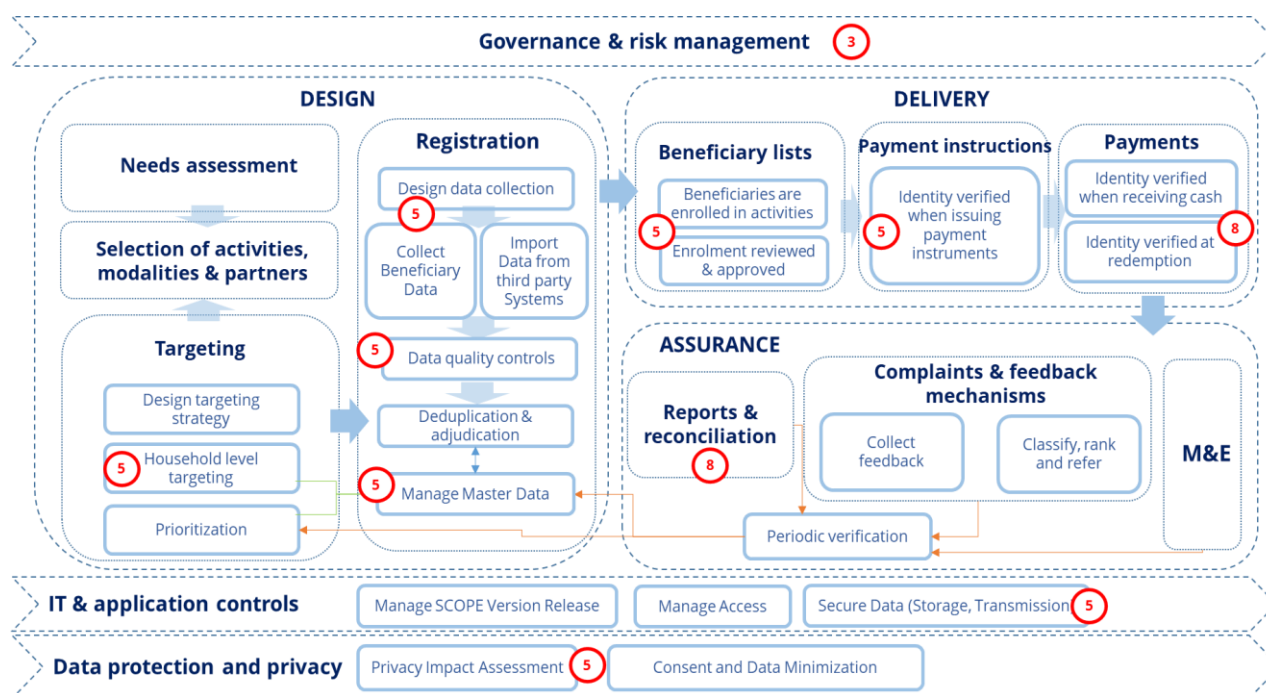
The CO will:

- i) Establish a Vendor Management Committee.
- ii) Ensure effective vendor due diligence reviews and assessments are conducted.
- iii) Use the corporate toolkit for future retailer selection processes.
- iv) Strengthen assessments of CPs and plan for spot checks to be performed on a regular basis.
- v) Review performance evaluation processes and criteria to include, where possible, quantitative information.

#### **Timeline for implementation**

31 March 2022

## Beneficiary management



### Observation 5: Beneficiary management

53. Although the CO had plans to digitalize beneficiary management processes, over the audit period beneficiary lists were mostly compiled manually, were often paper-based, and were not consolidated at CO or sub-office level. Moreover, beneficiary data collection was limited to heads of households, decreasing the reliability of beneficiary numbers.

54. The CO relied on CPs for beneficiary management, but CPs' and WFP's roles and responsibilities throughout the identification and registration of beneficiaries had not been fully identified and formally established. The audit could not identify how beneficiary verification mechanisms mentioned in the CO's targeting guidelines were applied to allow sufficient assurance over the reliability and integrity of beneficiary numbers and lists.

55. Therefore, there were risks that the CO would not be able to detect and mitigate the risk of inclusion errors. Targeting issues were noted during monitoring activities and reported through complaints and feedback mechanisms, and a few instances of indirect distributions had been reported.

#### *Application of targeting criteria*

56. The CO's guidelines to support targeting from the geographic level down to the household level were developed in 2020. However, the audit could not confirm that these guidelines had been correctly applied, as the documentation provided was incomplete and inconsistent across sub-offices and CPs. There was no clear evidence to determine whether individual targeting was implemented according to the CO's agreed methodology, including how exclusion and inclusion errors were addressed. These issues were also highlighted in the CO's field mission reports in Gao and Mopti.

57. Distribution plans were based on the national census average of six members per household, rather than on actual verified household sizes as per the CO's targeting guidelines. This approach was found to be inconsistent with other activities such as the rapid response mechanism where different household sizes (three, six and twelve)



were being used in the food cluster. This practice put at risk the effectiveness of the assistance, i.e. in not meeting the needs of all beneficiaries or providing excess assistance to some households.

#### *SCOPE implementation plan*

58. SCOPE implementation in Mali was adversely affected by inadequate project governance, limited staffing and procurement issues. The CO management appointed a project manager and dedicated staff in 2021 to address these issues. However, the audit noted that the revised SCOPE scale-up and implementation plan had not been shared and reviewed by RBD.

#### *Data protection*

59. Data sharing protocols had not been established and agreed upon with CPs. Digital beneficiary lists were managed and shared via emails, and the CO had yet to adopt an automated and secure file transfer solution with CPs, potentially putting beneficiary data at risk.

60. A privacy impact assessment (PIA) conducted in 2019 highlighted several risks and did not recommend collecting beneficiaries' biometric data. In 2021, the CO amended this assessment making a case for the use of biometrics without the involvement of RBD's protection team. Despite recent contextual changes, the CO had not reviewed its PIA, including context-specific risk analyses.

Underlying cause(s): Access constraints increased reliance on CPs and limited WFP's oversight in the field; missing SOPs; field level agreement clauses not fully covering corporate requirements on data privacy; limited SCOPE implementation due to inadequate project governance, limited staffing and procurement issues.

#### **Agreed Actions** [High priority]

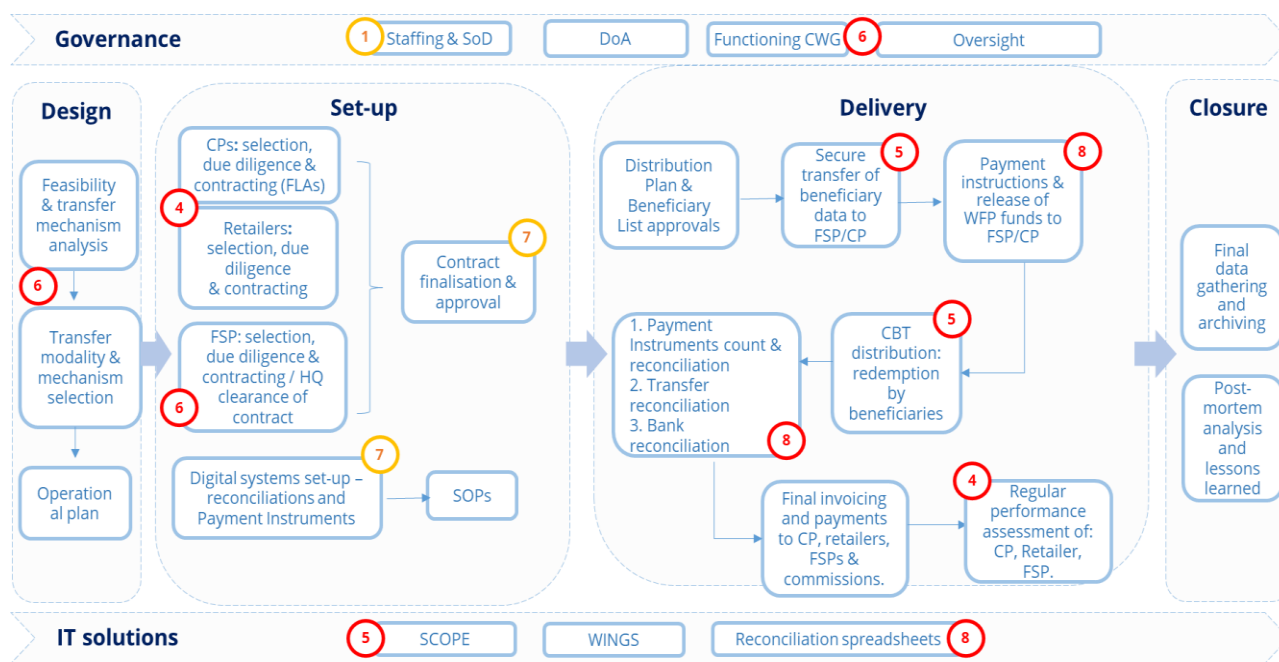
The CO will:

- i) In coordination with RBD, finalize the SCOPE scale-up and implementation plan, ensuring that privacy risks are mitigated.
- ii) Clarify roles and responsibilities in the implementation of targeting guidelines and the identification and registration of beneficiaries.
- iii) Introduce appropriate beneficiary data sharing protocols.
- iv) In coordination with the Food Security Cluster, define a household size and threshold for consistent distributions across activities.
- v) Define beneficiary verification mechanisms leveraging remote monitoring and third-party monitors, including by certifying household composition.
- vi) In coordination with RBD, review and update the PIA.

#### **Timeline for implementation**

31 March 2022

## Cash-Based Transfers



### Observation 6: CBT strategy, governance and assessments

61. The CO had scaled up CBT interventions over the last three years to reach a total transfer value of close to USD 60 million in 2020, of which paper vouchers accounted for approximately 80 percent. Other CBT modalities included mobile money (12 percent), with cash through CPs for school meals and nutrition activities representing the remainder.

62. While noting that the CO was working on strengthening its CBT design, resources and processes, the audit identified the following weaknesses in the management of CBT operations.

#### Assessments and choice of modality

63. The CO was transitioning from paper voucher solutions to digitalized delivery mechanisms such as mobile money and e-vouchers, and had performed a new macro-financial assessment in 2021 to accompany this change. A decision matrix for the different CBT modalities (mobile money, direct cash and e-vouchers) was also drafted in 2021. However, key multisectoral and market assessments were missing.

64. The Mali CO has proportionally the lowest level of in-kind assistance in the Sahel region, with 10,000 metric tons of food transferred in 2020 compared to 67,000 and 96,000 in Niger and Burkina Faso respectively, two WFP Sahel operations with a comparable number of beneficiaries. The audit could not evidence the rationale to select paper value vouchers as the main delivery modality, particularly as the redemption choice for beneficiaries was at times limited to only a few commodities. The CBT modality decision matrix updated in 2021 did not recommend paper vouchers.

65. Additional gaps included a lack of technical capacity, equipment and tools to support planned CBT interventions.



### Cash Working Group (CWG)

66. Membership of the CWG, set up to facilitate an integrated and cross-functional approach to CBT activities, had not been reviewed or updated to reflect staff departures. Some functional units were not always represented in CWG meetings, and meetings were not regular. Discussions on modality selection and risks associated with CBT operations were absent from the meeting minutes reviewed by the audit.

Underlying cause(s): Pace of the emergency response; evolution of the CO programme delivery model; delays in multisectoral and market assessments to support CBT modality selections; lack of tools, resources and equipment to support the chosen modality and operations; absence of regular and strategic CWG meetings; and lack of accountability and oversight from the CO units in Bamako.

#### Agreed Actions [High priority]

The CO will:

- i) In consultation with RBD and relevant headquarters units, establish a timeline for completing the missing multisectoral and market assessments.
- ii) Following the results of the CBT modality decision exercise, and in line with the CO's risk appetite, phase out the use of paper vouchers and accelerate the digitalization of CBT delivery mechanisms; and reassess the appropriate capacity and resources needed to implement these new solutions (see Observation 1).
- iii) Review the CWG terms of reference and composition to focus on both strategic and operational decision making.

#### Timeline for implementation

31 March 2022

### Observation 7: Contracting for CBT operations

67. During the audit period, the CO used the services of two FSPs to assist beneficiaries through direct cash and mobile money, and at the time of the audit was in the process of performing due diligence on potential new FSPs.

#### Due diligence

68. The CO did not properly vet the main FSP used to transfer over USD 8.5 million to beneficiaries in 2020, resulting in poor performance, substantial operational challenges and potential losses not covered by a valid performance bond.

69. The contracting process for new FSPs was lengthy and inconclusive, although both FSPs underwent the due diligence process. One did not accept the amount of the recommended performance bond and, despite obtaining a waiver from headquarters for emergency activities in May 2020, the contract could only be signed in November 2020 for the other.

#### Contract implementation

70. The mobile money operator did not comply with all provisions of the contract; which the CO did not monitor and try to enforce:

- Although the FSP was required to distribute SIM cards, they were distributed by WFP with no procedures or guidelines, including for the custody of non-distributed cards.
- Beneficiary consent forms, required under the contract to recover dormant account standing credit balances, were not used. This increased the risk of unrecoverable unspent balances for the unrestricted mobile money modality.



- Monthly operational reports required from the operator were never provided to the CO.

71. Some of the above issues had been identified by an internal audit already in 2019, yet never followed through and remediated.<sup>9</sup>

72. A structured identification of the risks linked to the mobile-money operator, including a technical assessment of its platform, was not carried out during the selection process. This led to inconsistencies including differences between the contract rates and the payment fees charged by the FSP to WFP.

#### *Retailer contracting*

73. Retailers managed a vast network of shops. However, the full list of these shops had not been obtained by the CO as contractually required of the retailers, impairing the CO's ability to conduct assessments before contracting (see Observation 4) and plan monitoring activities.

Underlying cause(s): Recently instituted corporate due diligence process; lack of expertise to capture changes in regulatory, financial and operational risks associated with FSPs; inability of the CO to monitor contract provisions with FSPs and track key performance indicators; issuance of a contract with an FSP not supported by an adequate and reliable performance bond.

#### **Agreed Actions** [Medium priority]

1) The CO will:

- i) Finalize the new FSP tendering and contracting process.
- ii) Perform a technical assessment of the FSP platform to identify risks and implement corrective measures.
- iii) Enforce and monitor contract clauses with FSPs and ensure necessary and corrective actions are taken on dormant and inactive accounts, beneficiary consent and SIM card management.
- iv) Ensure retailers provide the full list of shops in the selection and contracting exercise.

2) The Business Development Cash-Based Transfers Unit (FINB) will establish a performance monitoring mechanism to proactively offer support to COs in assessing FSPs' evolving risk profiles.

#### **Timeline for implementation**

31 March 2022

<sup>9</sup> Internal Audit of Mobile-Based Transfers in West and Central Africa ([AR/19/19](#)).





### Observation 8: CBT delivery and reconciliations

74. Weaknesses in beneficiary management processes, a lack of governance and capacity, and an absence of adequate oversight of third parties led to persistent shortcomings in the completion of CBT reconciliations. Risks were increased as, at times, the CO recognized expenditure to meet grant expiry dates before all supporting documents were received and validated.<sup>10</sup>

#### *Paper vouchers*

75. Although staff were under recruitment at the time of the audit, roles and responsibilities were not segregated at the sub-office level between staff responsible for CBT implementation and reconciliation activities.

76. Voucher reconciliations were conducted by comparing transfer instructions with CP distribution figures, based mostly on paper documents. This manual process was performed late and at an aggregate level, and could not provide reasonable assurance that only the intended recipients received assistance for the right amounts. In the Mopti and Gao regions, the audit noted distribution rates reached exactly 100 percent against the plan by the same CPs across several activities. This did not raise a red flag for the CO to trigger monitoring activities or further follow-up.

77. RBD recommended in 2019 the use of a global long-term agreement to improve the security features of paper vouchers (change of colours, bar codes); however, at the time of the audit this had not yet occurred.

#### *Mobile money and direct cash*

78. Mobile money transfers and direct cash distribution reconciliations were based on the matching of payment instructions against distribution totals, not on data of distributions to individual beneficiaries. CPs and FSPs reported to the audit team cases of duplicated identities in transfer instructions sent by the CO. For CPs acting as FSPs, the reconciliation process (advance payment, transfer and reimbursement) was not documented to ensure payments had reached the intended beneficiaries.

Underlying cause(s): Inherent control weaknesses associated with the use of paper vouchers for CBT delivery mechanisms; lack of adequate resources and capacity to bring paper voucher reconciliation activities up-to-date; lack of access by the CO to distribution sites; non-compliance with corporate CBT guidelines; and no process/tools in place for monitoring CBT distributions and beneficiary data, and identifying red flags.

#### **Agreed Actions** [Medium priority]

The CO will:

- i) Review and put in place the processes and resources needed to assure the effective distribution of CBT assistance to beneficiaries in line with corporate guidelines, including the CBT Assurance Directive.
- ii) Establish a minimum level of assurance on paper vouchers through sampling.
- iii) Revise the reconciliation process to support reconciliations at the beneficiary level.

#### **Timeline for implementation**

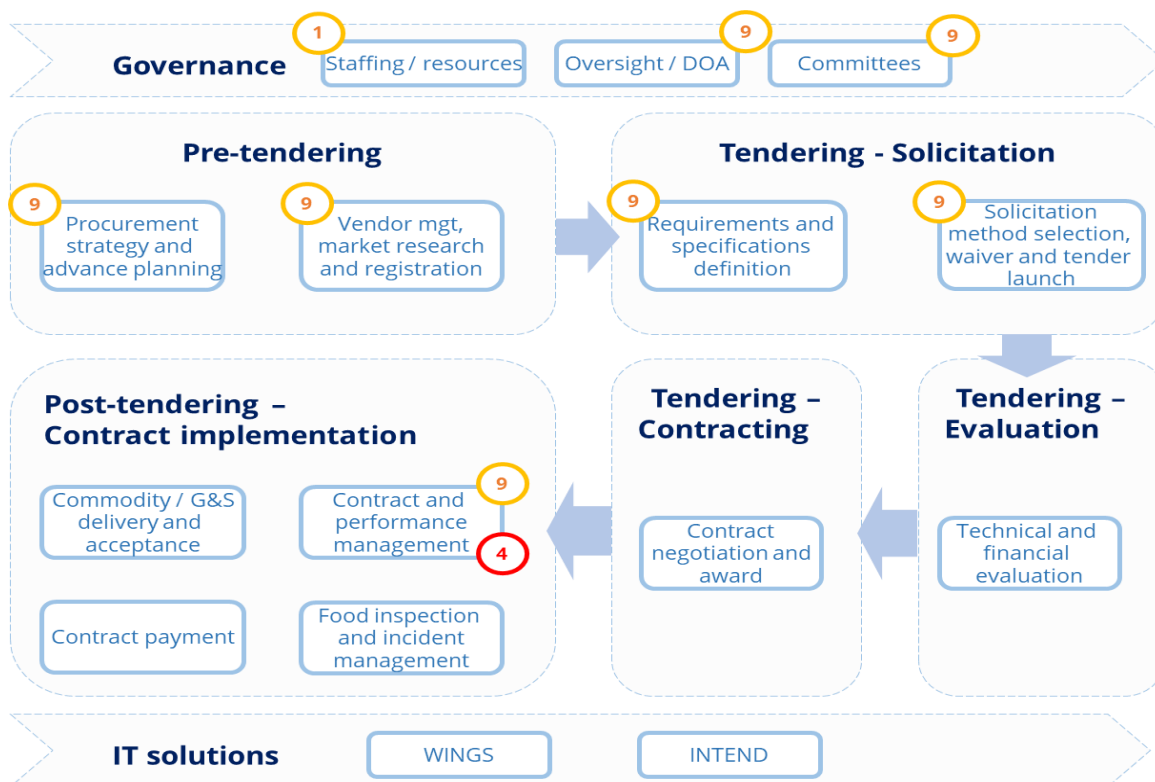
31 March 2022

<sup>10</sup> Such pressure to expend to meet contributions' expiry dates was already identified in an Internal Audit Report of the Chad operations AR/19/16, Observation 7 – "The CO had created multiple purchase orders (POs) in advance of upcoming distributions, sometimes for periods of 3-4 months with anticipated Service Entry Sheets (SES) and Invoices (LIV) raised in order not to lose donor grants that had close expiry dates".



## Supply Chain

### Procurement



### Observation 9: Competitive procurement

79. The audit noted several shortcomings in procurement processes that collectively jeopardized competitive procurement objectives over the audit period.

#### Outdated shortlists

80. As per corporate guidance, vendor shortlists should be updated continuously and at least annually. However, the CO last reviewed shortlists for retailers in 2019, transporters in 2018, and goods and services suppliers in 2017. Decisions to invite non-approved vendors to participate in tenders were not consistently and duly justified in the absence of a Vendor Management Committee.

81. While the COVID-19 health crisis was the primary cause of delay in the CP selection process, this was not the case for other types of vendors. The CO had not conducted sufficient and documented market research to identify potential new vendors; instead, it had launched new expressions of interest for food and non-food items in November 2020, and for retailers in April 2021, which it hoped to complete by the end of 2021.

#### Procurement planning and contract management

82. Procurement plans were not used as an operational tool to take procurement actions. Consequently, the CO experienced an increase in the number of post-factum and emergency procurement processes leading to higher costs and limiting the possibility of economies of scale. Consolidated plans for 2020 had not been submitted to RBD, and the goods and services procurement plan for 2021 was not finalized at the time of the audit.



83. Specifications were not always prepared in a timely manner by requesting units, or were not sufficiently detailed and consistent, creating delays in launching tenders. Several procurement processes had consequently been waived from competition, leading to contract extensions or splitting to avoid lengthy competitive processes.

84. The audit noted ineffective contract management and monitoring by the Procurement Unit and requesting units, as the CO's contract tracking sheet was incomplete and expiration dates were found to be incorrect. As a result, the CO did not always take appropriate and timely action before contracts expired, with instances of gaps between two contract dates.

#### *Governance and oversight*

85. The audit noted that RBD's oversight recommendations from 2019 were not fully implemented, including with regard to recruiting vendor management staff and preparing the micro purchases quarterly assurance statement. The Local Procurement and Contracts Committee (LPCC) was ineffective in monitoring procurement activities as it lacked visibility on existing contracts and vendor performance issues.

Underlying cause(s): Absence of a Vendor Management Committee; poor planning by requesting units; poor contract monitoring by the Procurement Unit; members of the LPCC not trained on their roles and responsibilities; absence of a CO oversight recommendation tracking tool; and lack of procurement training for CO staff dealing with day-to-day contract management.

#### **Agreed Actions** [Medium priority]

The CO will:

- i) Update vendor shortlists following the expressions of interest and vendor due diligence exercises.
- ii) Review procurement planning processes to ensure timely preparation of requesting units' acquisition plans and initiate timely actions before the expiration of contracts.
- iii) Ensure a formal induction training session for LPCC members to familiarize them with their roles and responsibilities.

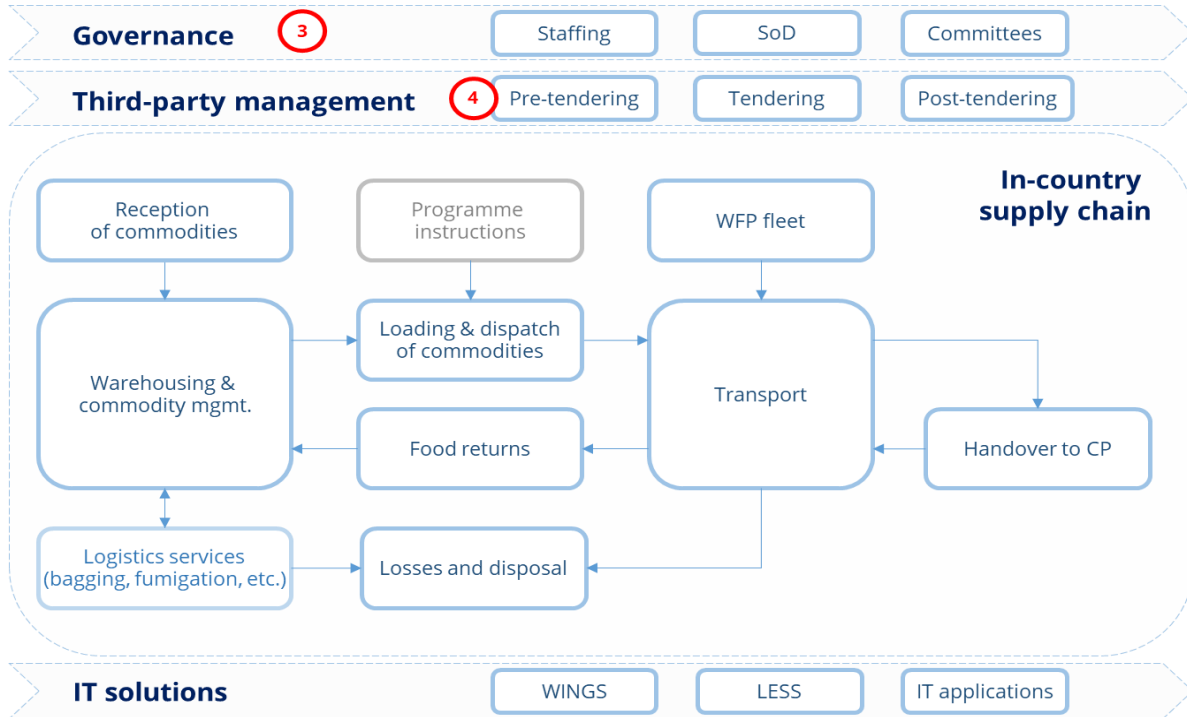
#### **Timeline for implementation**

31 March 2022

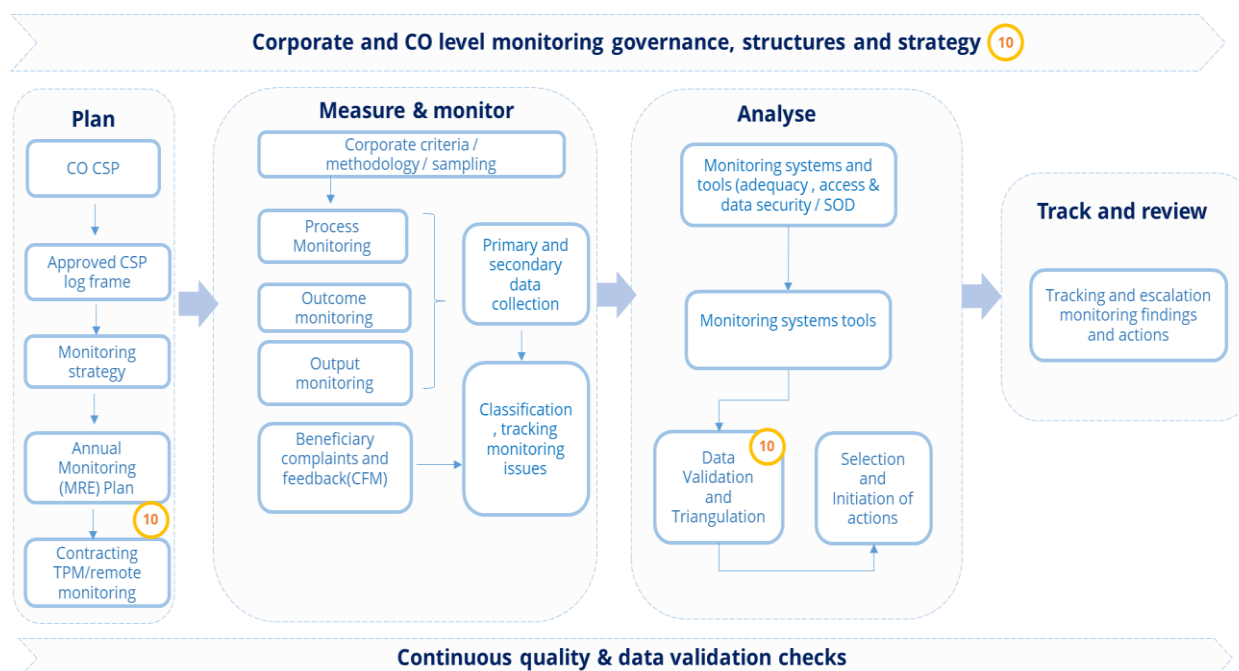


**Logistics and commodity management**

86. The areas reviewed by the audit are illustrated in the diagram below. Reportable findings related to this area are raised in the cross-cutting observations section; no specifically reportable findings related to logistics arose from the audit.



## Monitoring



### Observation 10: Third-party monitoring

87. Monitoring processes were strengthened over the audit period with the introduction of the corporate platform MoDa, enabling more data analysis, and by expanding the CO's shortlist of third-party monitors (TPMs).

#### *Monitoring coverage*

88. The sampling criteria to plan monitoring activities were based on corporate guidance and minimum monthly requirements. However, the CO struggled to match monitoring data against distribution plans and therefore could not ascertain when each of the 1,600 distribution points had last been visited, with a consequent risk of monitoring gaps going undetected.

#### *Data triangulation*

89. Due to access challenges, 90 percent of the CO's monitoring activities were undertaken by TPMs. Data triangulation to ensure the reliability of TPM reports was only performed when issues were reported. Recommendations from the TPM corporate framework, including calling a sample of beneficiaries to corroborate monitoring reports, were not fully implemented. SOPs detailing data triangulation processes were under development at the time of the audit.

90. The CO's field monitors could usually only complete approximately 30 percent of their monthly plan, mostly due to access constraints, compared to over 90 percent for TPMs. While ensuring WFP monitors' presence in the field aligns with the CO's access strategy (see Observation 2), there was an opportunity to review the scope of work and potentially reallocate resources to strengthen the review of TPM reports.

Underlying cause(s): Access challenges and movement restrictions due to the COVID-19 emergency; large operations with numerous distribution points; lack of SOPs.



**Agreed Actions** [Medium priority]

The CO will:

- i) Finalize the integration of distribution points and monitoring data to verify actual monitoring coverage.
- ii) Explore possibilities to have more than one TPM per region to facilitate data triangulation.
- iii) Finalize SOPs to strengthen triangulation of TPM data.

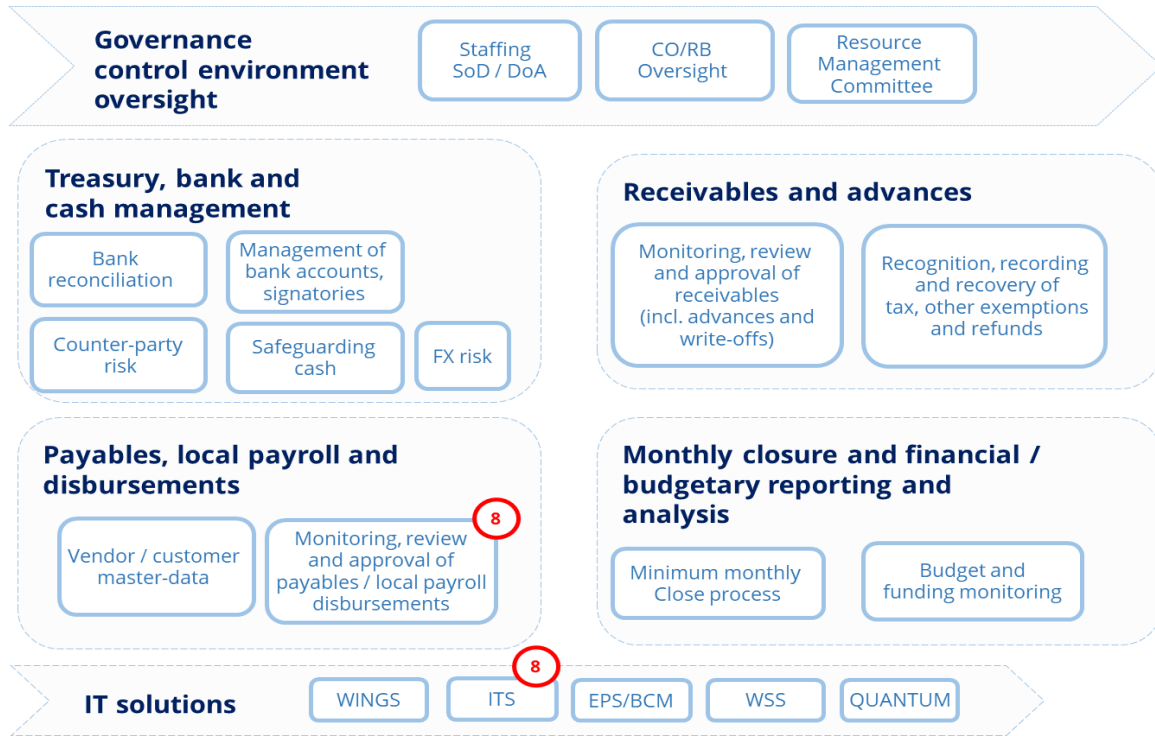
**Timeline for implementation**

31 March 2022



## Finance

91. The areas reviewed by the audit are illustrated in the diagram below. Reportable findings related to this area are raised in the CBT observations section; no specifically reportable findings related to finance arose from the audit.





## 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, staffing and structure	Cross-cutting	CO	Medium	31 March 2022
2	Humanitarian access	Cross-cutting	CO	High	31 March 2022
3	Risk appetite, management and risk sharing	Cross-cutting	CO	High	31 March 2022
4	Third-party risks	Cross-cutting	CO	High	31 March 2022
5	Beneficiary management	Beneficiary management	CO	High	31 March 2022
6	CBT strategy, governance and assessments	CBT	CO	High	31 March 2022
7	Contracting for CBT operations	CBT	CO, FINB	Medium	31 March 2022
8	CBT delivery and reconciliations	CBT	CO	High	31 March 2022
9	Competitive procurement	SC – Procurement	CO	Medium	31 March 2022
10	Third-party monitoring	Monitoring	CO	Medium	31 March 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.<sup>11</sup>

<sup>11</sup> 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
CM Coord	Civil Military Coordination
CO	Country Office
CP	Cooperating Partner
CSP	Country Strategic Plan
CWG	Cash Working Group
ERM	Enterprise Risk Management Division
FINB	Business Development Cash-Based Transfers Unit
FSP	Financial Service Provider
HACT	Harmonized Approach to Cash Transfers.
HCT	Humanitarian Country Team
HMIO	Humanitarian Military Interaction Officer
L3	Level three emergency
LPCC	Local Procurement and Contracts Committee
OIGA	Office of Internal Audit
OTF	Level 3 emergency Operational Task Force
MoDa	Mobile Operational Data Acquisition (WFP tool for data collection)
PIA	Privacy Impact Assessment
RBD	Regional Bureau for Western Africa
SCOPE	WFP's beneficiary information and transfer management platform
SOP	Standard Operating Procedure
STF	Level 3 emergency Strategic Task Force
TPM	Third-party monitoring (or monitors)
USD	United States Dollar
WFP	World Food Programme