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Internal Audit of WFP Operations in Bangladesh

Office of the Inspector General
Internal Audit Report AR/21/17



World Food
Programme

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I. Executive summary

WFP Bangladesh Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Bangladesh that focused on beneficiary management, cash-based transfers, supply chain, monitoring, finance, and a tailored review of human resources management, covering the period from 1 January 2020 to 30 April 2021.
2. As defined in the Country Strategic Plan 2017–2021, WFP's work in Bangladesh aims to support the country in ending hunger and reducing malnutrition by 2030 through five strategic outcomes. Expenditure pertaining to the Country Strategic Plan from 1 January 2020 to 30 April 2021 amounted to USD 373 million.
3. Interventions include support to the Government's mother and child benefit programmes, cash, and food assistance (to refugees and host communities), livelihood and nutrition support, and capacity strengthening. The audit focused on the country office's implementation of two activities under Strategic Outcome 2 of the Country Strategic Plan that accounted for 90 percent of total expenditure during the audit period.

Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / some improvement needed**. 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.
5. The Office of Internal Audit conducted an audit of the Bangladesh country office in 2017¹ during the transition to the new Country Strategic Plan and at the onset of the Level 3 emergency response in Cox's Bazar due to the refugee influx from Myanmar (which was not covered by the audit). The country office's structure and activities had changed drastically since that audit, with the initial Country Strategic Plan budget of USD 202 million in 2017 increasing to USD 1.3 billion in 2021. In 2020, in response to the COVID-19 pandemic, the country office implemented a cash-based urban food security programme that reached 181,385 beneficiaries and incorporated a cash-back element to incentivize nutrition and dietary diversity.
6. The operational set-up of the country office (encompassing pre-emergency operations) in Dhaka and the emergency refugee response in Cox's Bazar largely followed corporate emergency response protocols. While recognizing the need for parallel structures for close monitoring of the emergency response, this impacted efficiency and accountability to some extent, and instances of control gaps were noted between operational locations.
7. There was limited workforce planning in the country office, and the transition from a Level 3 to Level 2 emergency category at the end of 2018 was not supported with an organizational realignment process. As the country office prepares to implement the next Country Strategic Plan (2022–2026), there is an opportunity to redefine and strengthen the role of its human resources function to advise management on workforce planning, including definitions of the profiles and skills required, and to re-assess contract modalities for positions that have largely been staffed by short-term service contracts.

¹ Internal Audit of WFP Operations in Bangladesh (AR/17/19)- <https://www.wfp.org/internal-audit-wfp-operations-bangladesh/>



8. In 2020, 68 percent (USD 122 million) of the country office's assistance to beneficiaries was distributed via cash-based transfers, and 32 percent (USD 57 million) via in-kind food assistance. Since March 2020, the country office had piloted and scaled up the use of Building Blocks, WFP's online digital transfer management system based on blockchain technology and used across agencies in Bangladesh. As of July 2021, Building Blocks covered most (97 percent) of the 860,000 beneficiaries receiving cash-based transfers under blanket food assistance. USD 112 million was transferred to beneficiaries through this mechanism, enabling the provision of assistance at a large scale and addressing COVID-19 pandemic delivery challenges (for example beneficiary verification during redemption and the monitoring of beneficiary food purchasing behaviour for the urban food security response).

9. The country office implemented other technology-based solutions in beneficiary management and cash-based transfers that resulted in efficiency gains, stronger accountability, and beneficiary data privacy and protection. Stakeholders interviewed during the audit field work responded positively to the digital service offering, and to the shift in WFP's role in providing an enabling environment via technology-based solutions and a learning pathway for urban food security interventions.

10. As WFP processes beneficiary data received from the United Nations High Commissioner for Refugees (UNHCR),² the country office developed a 'data anomaly dashboard' that facilitated the detection, escalation, and resolution of data quality issues. As of July 2021, these data quality checks facilitated the alignment of the WFP and UNHCR beneficiary databases to almost 99 percent and enabled referrals of data quality issues for action by UNHCR.

11. While the Building Blocks programme contributed to the implementation and scale-up of cash-based transfer activities, the audit identified the following gaps in the reconciliation process:

- The country office's reconciliation task force had not been operationalized.
- Independent beneficiary-level transfer reconciliations were not implemented.
- Reconciliations at beneficiary level were not conducted for all distribution mechanisms.

12. The disruption of markets due to COVID-19 restrictions prompted the country office to adopt new food delivery models such as food purchased and delivered by cooperating partners that presented potential risks related to inventory management, including traceability and accountability in food-related incidents. Corporate system structures and purchase order categories³ were not designed to capture the nature of these new food delivery models. This limited the visibility and timely involvement of the Supply Chain function to assess and mitigate any potential risks.

13. Data protection and privacy, a sensitive issue in the operational context, were not addressed comprehensively. The re-implementation of WFP's corporate customer relationship management tool to replace manual systems had been delayed despite the noticeable joint efforts of the country office and the corporate technology division.

14. Except for cross-cutting issues related to contract management, staffing structures and the governance mechanisms described in observations 1 and 2, no other reportable findings arose in the areas of Finance, Supply Chain Procurement and Logistics.

15. The audit report contains three high priority observations, one of which has actions at corporate level, and four medium priority observations. Management has agreed to address the reported observations and to work to implement the agreed actions by their respective due dates. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

² The data sharing agreement between WFP and UNHCR recognizes the UNHCR database as the single source of truth for beneficiary identities.

³ In WFP's enterprise resources planning system (WINGS).



II. Country context and audit scope

Bangladesh

16. Bangladesh graduated to lower-middle-income country status in 2015, having achieved considerable progress towards the Millennium Development Goals for universal primary education, gender parity in basic education, and reduced child and maternal mortality. However, geographic, rural/urban, gender and wealth disparities remain, and political and environmental risks persist.

17. The country is particularly vulnerable to frequent and severe impacts of climate change that affect agricultural production and cause internal migration to urban areas. Bangladesh continues to host between 850,000 and 915,000 Rohingya refugees from Myanmar, the majority of whom live in 34 camps and are dependent on external assistance. Existing needs among vulnerable Bangladeshis and refugees were further compounded by COVID-19 restrictions, such as the suspension of non-essential activities in the camps from March to July 2020.

WFP operations in Bangladesh

18. The emergency response in Cox's Bazar (CXB) was initially activated as a Level 3 (L3) emergency in the third quarter of 2017, then shifted to Level 2 in the fourth quarter of 2018. The Bangladesh country office (CO) piloted and transitioned to its 2017–2021 Country Strategic Plan (CSP) in April 2017 when the largest movement of Rohingya people into Bangladesh occurred; as of December 2020, Bangladesh hosted 866,000 refugees. Through a series of budget revisions in response to the increase in the number of refugees requiring assistance, the initial CSP budget of USD 202 million in 2017 reached USD 1.3 billion in 2021, representing a more than sixth-fold increase in the needs-based plan. The revisions mainly extended operations in response to the Rohingya crisis, recurrent disasters, and the impact of the COVID-19 pandemic on the local economy that worsened food insecurity levels.

19. As reported in the Annual Country Report for 2020, the CO adapted its programming to support the Government with its COVID-19 response and implementation of safety net programmes, while also continuing to provide life-saving food and nutrition assistance to Rohingya refugees and vulnerable Bangladeshi communities. In total, the CO assisted 2.3 million beneficiaries in 2020 with more than 67,000 metric tonnes (mt) of food transfers and more than USD 104 million of cash-based transfers (CBT).

20. The CBT value to beneficiaries during the audit period totalled USD 156 million. Of this amount, electronic vouchers accounted for over 77 percent, cash in hand transferred through cooperating partners (CPs) accounted for 15 percent, and mobile money transferred through beneficiary electronic wallets accounted for the remaining 8 percent.

21. Purchases of commodities (including purchases from WFP's global commodity management facility), non-food items and logistics services totalled USD 75 million over the audit period. Food procurement amounted to USD 42 million; transport and logistics USD 6 million; and the procurement of goods and services (G&S) totalled USD 27 million. Eighteen percent of the purchases related to ad hoc procurement of medical goods in the context of the CO's support to Bangladesh's preparedness and emergency response to the COVID-19 pandemic.

22. In 2020, the CO developed and implemented various digital solution tools, including a humanitarian access plan that facilitated vehicle access to refugee camps during the period when COVID-19 restrictions were in place, and the multi-wallet platform for soap and liquefied petroleum gas distribution for other humanitarian partners.

23. In response to a fire in one of the Rohingya refugee camps in Ukhiya, CXB, in March 2021 that displaced approximately 48,000 Rohingya refugees, the CO swiftly launched a joint initiative to identify beneficiaries who had lost their identity documents and provided immediate support to those affected by the fire, in coordination with other humanitarian partners.



24. During the audit period, the CO continued to monitor and mitigate the main contextual, programmatic, and institutional risks anticipated in the CSP. It also responded to new emerging needs and risks, some related to the COVID-19 pandemic, for example the increased pressure on supply chain infrastructure and health systems, critical for WFP and other humanitarian and health response operations; the inability of the Government or private sector to provide support; severe market disruptions; and donor funding limitations.

Objective and scope of the audit

25. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control processes related to WFP operations in Bangladesh. Such audits contribute to our annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes.

26. The audit focused on two activities within the CO’s 2017–2021 CSP, both under Strategic Outcome 2, representing 76 percent of the total CSP requirement (USD 1 billion of the total needs-based budget of USD 1.3 billion):

- *Activity 5 – Deliver an integrated assistance package in Cox's Bazar.*
- *Activity 7 – Deliver food assistance in emergencies.*

27. 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, as detailed in the figure below:



28. OIGA performed audit tests on essential controls outlined for each of these five predetermined areas in scope. The essential controls build on existing procedures and manuals and, where appropriate, were discussed and validated with respective business units. Minimum controls as defined by the Management Assurance Project conducted by WFP’s Enterprise Risk Management Division (ERM) at the end of 2020 were considered and included where relevant. Reliance was placed on second-line assurance work, where relevant, to minimize duplication of efforts.

29. OIGA supplemented this predetermined scope with a risk assessment to identify any additional processes that should be in scope for the audit. Based upon this assessment, a tailored review of human resources (HR) management was included.



III. Results of the audit

Audit work and conclusions

30. The seven observations arising from the audit are presented below. They are grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 27), with an initial section to capture cross-cutting issues.

31. For each of the five functional areas, a simplified standard process diagram is included which indicates the key control areas reviewed by the audit and, when exceptions or weaknesses were noted, the audit observations to which they relate and their respective priority rating (red for high and yellow for medium priority observations). Any other issues arising from the audit which were assessed as low priority were discussed with the CO directly and are not reflected in the report nor are they indicated in the diagrams.

32. The issues identified by the audit in the areas reviewed were rooted mainly in: (a) the recent deployment of corporate guidelines on realignment processes to support transition or scale-down of emergency responses; (b) the profiles and skillsets required for digitally advanced operations; (c) limited workforce planning; (d) COVID-19 restrictions leading to adoption of non-standard assistance delivery models; and (e) implementation of new digital solutions with specific associated risks.

Cross-cutting issues

Observation 1: Governance, risk management and workforce planning

33. The evolution of the response and the implementation of technology-based solutions to support delivery had implications on workforce planning, governance and some of the CO's HR processes.

Workforce planning and human resources processes

34. Changes to the CO's organizational structure did not follow a comprehensive planning approach, resulting in HR activities focused on the management of recruitment, not supported by workforce planning or clear anticipation of the CO's needs.

35. The CO last completed an organizational alignment exercise in 2017; no recent updates had been conducted to determine the structure, profiles and skills needed to deliver on the upcoming 2022-26 CSP. The HR unit had limited involvement in the development of the new CSP, as the CO's organizational structure had been reviewed only from a budgeting perspective, with limited consideration of HR-related aspects such as skills, capacity, and profiles. The Regional Bureau for Asia and the Pacific (RBB) raised concerns about the plan to extend service contracts for the duration of the new CSP. While the CO addressed these queries from a budgeting perspective, it did not consider wider workforce planning issues.

36. Recruitment was ad hoc and not based on the systematic identification of skills required, with HR activities limited to transactional processing of recruitments and contracts, often on an urgent basis. Recruitment and other HR processes were not harmonized between the Dhaka and CXB, preventing potential synergies and opportunities for learning and process improvements, and for ensuring that the most effective strategies for sourcing talent were followed.

37. There was frequent use of direct recruitment of short-term staff under special service agreement and consultant contracts. While this is within existing WFP regulations, the lack of timely definition and planning for the profiles and skills required limited the CO's ability to anticipate needs and ensure that the most suitable staff were hired. This was exacerbated by HR not having a strategic role within the CO. It also resulted in the perception of HR processes not being transparent and fair.



38. At the time of the audit field work, the Supply Chain function in CXB was working on re-purposing roles for some staff, in the context of the recent shift from in-kind assistance to CBT. However, coordination with the CO's Supply Chain Unit was limited and the process was being undertaken without the involvement of HR.

Organizational structure and realignment

39. Parallel staffing and governance structures, initially established to closely manage the L3 emergency response, still existed in most of the functional units between the two operational locations in Dhaka and the emergency response in CXB. This included the Supply Chain, CBT, HR, Beneficiary Management and Monitoring units. Similarly, some committees (including the local transport committees [LTCs] and CBT working groups) were duplicated. These parallel structures had implications for efficiency, accountability, and control gaps between the two operational locations. That said, CO management had a significant presence in CXB, and efforts had been initiated prior to the audit start to consolidate some of the committees and increase collaboration and communication of functional unit heads and management in Dhaka and CXB.

40. The siloed approach, based on operational and related programmatic interventions, resulted in potential lost opportunities to optimize existing capacity. For example, CXB's strong digital solutions capacity did not benefit other CO activities equally. However, at the time of the audit field work, the CO had begun to transfer and implement some of these digital tools to non-emergency activities. Synergies for staff learning, development and knowledge transfers across the two operational locations were ad hoc and had not been formally explored based on a systematic capacity gap assessment.

Risk management

41. As a result of the parallel operational structures between Dhaka and CXB, accountability and allocation of responsibilities for implementing risk mitigation actions in areas such as beneficiary management and HR were unclear.

Underlying cause(s): Recently issued HR toolkit, structural models and guidelines not considered; existing corporate HR regulations not sufficiently flexible to attract and retain staff with new skills and profiles; limited involvement of HR in strategic workforce planning and skill set assessment; legacy parallel structures from the inception of the L3 emergency response; and risk management process not reassessed and realigned in the context of the new CSP activities.

Agreed Actions [High priority]

The country office, with the support of the Regional Bureau for Asia and the Pacific and headquarters units as needed, will:

- i) Reassess and revise its organizational structure and set-up based on corporate human resources management toolkits, structural models and the new staffing framework.
- ii) Design and implement a learning and development strategy to identify and address capacity gaps and ensure harmonization of processes across functions and operational locations.
- iii) Define accountabilities for monitoring and implementation of risk mitigation actions across functional units and locations based on the nature of interventions.

Timeline for implementation

30 June 2022

Observation 2: Contract management

Retailer contracts with multiple modalities and deliveries of food purchased by cooperating partners

42. The CO implemented food deliveries through retailers as part of its COVID-19 response, to avert potential supply chain disruptions, delivering approximately 17,000 mt during 2020. The following issues were noted in relation to the contractual arrangements for this modality:

- Consultations with relevant headquarters and RBB units to finalize the contract template and incorporate the in-kind modality had not been completed in a timely manner. Consultations were in progress at the time of audit to address the risks identified by the Legal Division (LEG) related to the potential commingling of stocks, traceability of commodities and identification of accountability in case of food-related incidents.
- The type of contract used by the CO for this modality (request for quotation plus offer plus award letter) was an interim arrangement, while a more efficient model (which includes all three delivery mechanisms – in-kind, value voucher and commodity voucher) with more flexibility on the contract template was still to be finalized and cleared.
- The contract model based on standard templates for logistics services did not incorporate detailed clauses required in a retailer contract such as WFP's detailed obligations; the retailer's specific obligations for food, beneficiaries, and reporting; the retailer's fee setting mechanisms; and subcontracting.

43. In the absence of readily available corporate solutions for flexible modalities with retailers or partners, deliveries of food purchased by CPs for the COVID-19 urban response intervention were processed under the purchase order cash transfers transaction code in WFP's enterprise resource planning system (WINGS). As such, these purchases did not come to the attention of the Supply Chain Unit at CO level to provide technical guidance as relevant. For example, the CPs' direct and subcontracted purchases of beneficiary food baskets had potential implications for food safety and quality (FSQ), an area in which there is limited expertise in the Dhaka office. Further collaboration between Dhaka and CXB on an overarching, CO-wide FSQ function would be beneficial to support and monitor processes and systems related to the fresh food commodities included in the food basket of the COVID-19 urban food security programme.

Financial service provider and digital service platform contracts

44. The due diligence process performed on the FSP did not establish the potential risks from a related party relationship of a contracted FSP and a CP (based on a common shareholder). The FSP provided beneficiary CBT mobile money; while in parallel, the CP, through a field level agreement, provided programme implementation and monitoring activities and some common cash intervention programmes. Although FSPs and CPs operate within separate national regulatory frameworks, in this instance, they provided parallel services to WFP for some programmes, and the potential financial and operational risks were not assessed. The CO has already escalated the issue to the relevant headquarters units.

Underlying cause(s): Challenges related to the disruption of markets because of COVID-19 restrictions, and limited scope of CO to fully explore alternative delivery arrangements; contracts and categorization of transactions in WINGS not adapted to the nature of some complex and new delivery models; corporate due diligence process for FSPs and CPs performed separately, with limited review to establish group structure and related party relationships.



Agreed Actions [Medium priority]

The country office will:

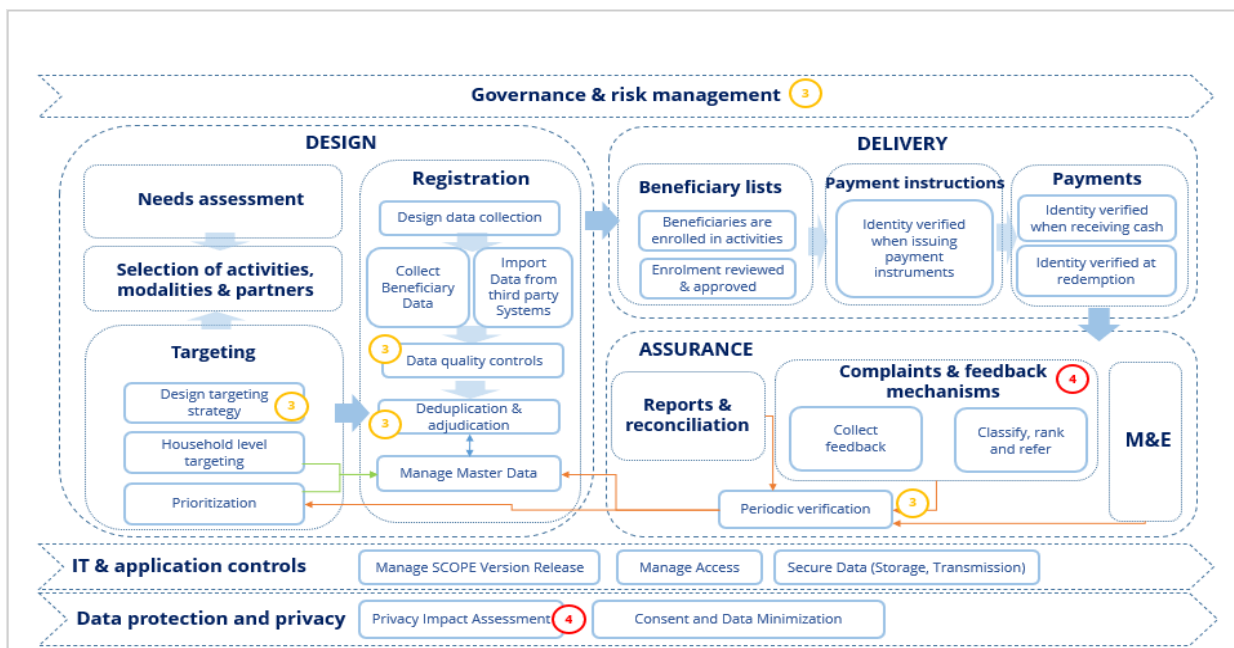
- i) Continue to work with the Legal Division and other units (in headquarters and the Regional Bureau for Asia and the Pacific as relevant) to define timelines and deliverables to finalize the most appropriate contract models and include provisions to mitigate emerging risks from the operational model with retailers.
- ii) Monitor food safety and quality processes and systems related to fresh food commodities distributed through retailers in the COVID-19 urban food security programme through increased collaboration of food safety and quality experts.
- iii) In coordination with the Finance Business Development, Cash-Based Transfers, assess the extent to which the related organizational structure of the financial service providers and cooperating partner impact financial and operational risks, and consider obtaining confirmations from both entities of their independence in the provision of their parallel contractual obligations to WFP.

Timeline for implementation

31 December 2021



Beneficiary management



Observation 3: Beneficiary management

Implementation of data sharing agreement

45. The CO has a data sharing agreement with UNHCR as part of its refugee response in CXB. It relies on the UNHCR database as a sole source of truth on beneficiary identities. There were instances of delays in communication from UNHCR (up to four months) on changes in prioritization of beneficiary case referral actions, and anomaly tracking was carried out using Excel sheets. In addition, there were opportunities to improve quality assurance on beneficiary data, especially as relates to the timely identification, review and resolution of data anomalies identified in the referral list.

46. OIGA's analysis of the beneficiary data anomalies and related referrals noted the following: (a) as of July 2021, comparison of UNHCR's progress data with WFP's SCOPE database revealed 608 mis-matched beneficiaries (852,972 versus 852,364) – some of the anomalies shared with UNHCR for action had remained open for more than six months; and (b) of the 4,570 household anomalies detected in the UNHCR data received from December 2020 to April 2021, 18 percent (822 cases) had repeatedly been detected without having been resolved. However, the data anomalies had no impact on the refugees' ability to access their monthly rations.

Beneficiary management processes (COVID-19 urban response)

47. In comparison with the resourcing, digital tools, and staff capacity of the emergency operations in CXB, the beneficiary management processes and systems at the CO level supporting non-refugee response programmes were largely implemented using manual systems with inherently high data quality risks.

48. The following gaps were noted in beneficiary management processes: (a) there was limited segregation of responsibilities – one CP provided the secondary data used for targeting in the COVID-19 urban response and was subsequently involved in beneficiary targeting, registration, verification, implementation and programme monitoring; (b) no established methodology and standard verification thresholds were set as a basis to accept or reject the remote verification results that averaged approximately 3 percent of the total 7,500 beneficiaries; (c) no systematic and planned beneficiary verification process was in place following reverifications, which



heightened the risk of having duplicate beneficiaries and those that no longer met eligibility criteria, as no beneficiary biometric data was collected; and (d) deduplication checks performed by some CPs using beneficiary biographic data, payment instruments numbers and national identification numbers were not systematically verified.

49. Based on an interim lesson learned exercise and experience gained in implementing this first pilot urban programme, the CO started addressing some of the shortcomings in beneficiary targeting, registration and verification in the new urban programme in August 2021.

Underlying cause(s): Limited provisions in the data sharing agreement between WFP and UNHCR to facilitate collaboration on operational data quality management; COVID-19 restrictions resulting in closure of UNHCR registration sites; lack of a digital ticketing system to monitor the status of data anomalies between the two agencies; insufficient investment in systems, tools and knowledge sharing for emergency responses; synergies of implementing existing CO-based digital beneficiary and transfer management tools across different activities recently initiated; new urban food security intervention implemented by the CO.

Agreed Actions [Medium priority]

The country office will:

- i) Develop a joint operational standard operating procedure with UNHCR and define processes and digital tools to facilitate data quality assurance that enables the alignment of beneficiary databases.
- ii) Establish a formal review and approval process of specific data anomaly checks by the digital solutions and programme teams.
- iii) In liaison with the Regional Bureau for Asia and the Pacific and headquarters as relevant and leveraging in-country capacity from the digital solutions team, explore and assess adoption or development of joint inter-agency ticketing tools to facilitate tracking and closure of referral cases.
- iv) Develop a plan to transfer relevant digital solutions from Cox's Bazar to Dhaka to further strengthen capacity to respond to future emergencies.
- v) Develop lessons learned from the COVID-19 urban response and use the results to inform future interventions.

Timeline for implementation

30 June 2022

Observation 4: Complaints and feedback mechanism

50. The CO collected beneficiary complaints from various channels including hotlines, CP help desks at 25 camp retail outlets, onsite monitoring visits, and referrals.

Implementation of WFP's customer relationship manager

51. In May 2020, the CO implemented SugarCRM, WFP's customer relationship manager, a corporate software application to manage complaints and feedback received from various sources. Subsequently, in September 2020, the system was piloted in CXB's refugee operation to replace the manual and Excel-based record of beneficiary complaints at the camp-based help desks that accounted for most of the CFM case intakes.⁴

⁴ Analysis of beneficiary complaints received from April 2020 to April 2021 showed that almost 95 percent were received through the help desks managed by CPs. The remaining 5 percent of complaints were received through the hotline - operated through the SugarCRM platform - and other internal feedback mechanisms.



However, because protection risks were not appropriately mitigated within the operational context and given some technical challenges relating to data collection and processing, the system was suspended after 30 days. RBB confirmed similar challenges for other COs in the region with SugarCRM not addressing some protection-related issues.

52. A February 2020 privacy impact assessment (PIA) had already identified the need for the CO to follow privacy by design principles. The PIA recognized challenges with the camp-based help desks where CPs had access to a lot of data and did not use secure file saving and transfer methods.

53. Additional requirements were jointly agreed and developed by the CO and the headquarters Digital Solutions Delivery Branch (TECD) supporting SugarCRM, to address these shortcomings in system design. An action plan was formalized but, as of July 2021, most actions remained outstanding. Some access design issues were also raised at the RBB level.

Complaints and feedback quality assurance process

54. The CO was not in compliance with the CFM SOP (to ensure effective and efficient feedback mechanisms) as there was no structured and formal quality assurance process for complaints received and closed from all four channels (see paragraph 51).

Implementation of privacy impact assessment agreed actions

55. The February 2020 PIA proposed an action plan with 16 actions related to data protection, minimization of data leaks and accountability to affected populations. However, at the time of audit, most actions had not been completed and there was no analysis performed to assess and streamline any potential overlaps between the PIA recommendations and SugarCRM actions.

Underlying cause(s): Unclear roles and responsibilities, and lack of funding for the requested design changes for SugarCRM; CFM quality assurance processes not prioritized over the SugarCRM relaunch actions; and competing operational priorities resulting in delays in implementing some PIA actions.

Agreed Actions [High priority]

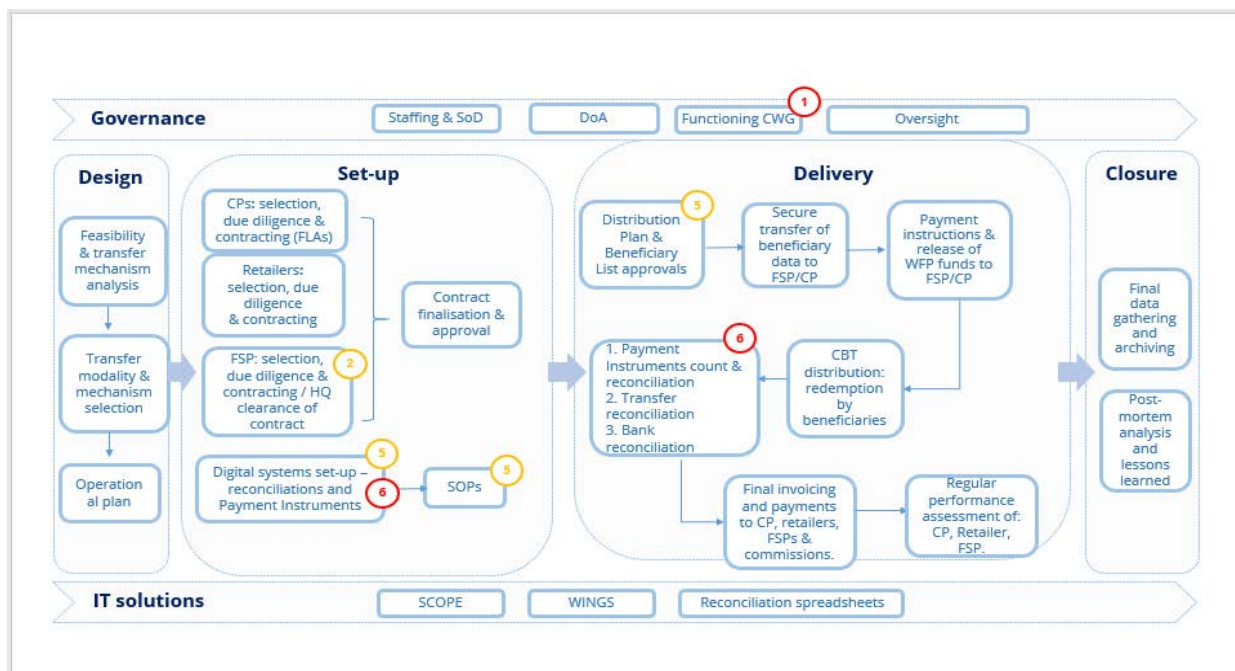
- 1) The Digital Solutions Delivery Branch, in liaison with the Emergencies and Transitions Unit and technology counterparts at the country office and regional bureau levels, will formally assess the status, feasibility and cost of WFP's customer relationship manager system, SugarCRM, relaunch actions and agree on a new road map, taking into consideration protection risks within the operational context.
- 2) The country office will:
 - i. Perform structured quality assurance in compliance with the complaints and feedback mechanism standard operating procedure.
 - ii. Prioritize and allocate resources to implement the privacy impact assessment recommendations.

Timeline for implementation

- 1) 30 June 2022
- 2) 30 June 2022



Cash-Based Transfers



Observation 5: Cash-Based Transfers set-up and delivery

56. Since March 2020, the CO had scaled up the use of Building Blocks (BB) and had made the digital platform available to other humanitarian organizations. Feedback from donors indicated that this was a positive development.

Cash-based transfer planning and distribution

57. The CO did not have a CBT distribution plan as a basis for monitoring planned against actual or adjusted distributions except for those managed with BB. This limited the CO’s ability to reconcile planned and distributed cash transfers, especially given the regular changes in beneficiary household data extracted from the UNHCR beneficiary database. At the time of the audit field work, the CO was in the process of developing a consolidated distribution plan for all CBT delivery mechanisms.

Digitalization and automation of key processes

58. Ongoing implementation of BB resulted in interim manual interventions that increase risk of errors and potential manipulation in some subprocesses namely: (a) the creation of a payment advice file (PAF) from the UNHCR list and PAF upload into BB; (b) computation of retailers' service fees for the distribution of commodities and the volume discount from retailers; and (c) preparation of a payment list for vulnerable beneficiaries entitled to fresh food top-ups. In July 2021, the CO indicated that the project to integrate the SCOPE-BB digital solutions was under way but a project document setting out the expected timetable, resources required and responsibilities for implementation was not yet established.



Standard operating procedures

59. The CO had several CBT SOPs not formally approved by management. In addition, when BB was piloted and scaled up, there was limited documentation to define the roles and responsibilities for the subprocesses supporting digital systems, such as: (a) verification of data anomalies in the UNHCR beneficiary list; (b) PAF creation and verification; and (c) upload of the PAF into the BB platform. As these interfacing roles were performed by various teams, documentation would provide an opportunity to define segregation of roles and other important aspects.

60. The CBT Working Groups established in Dhaka and CXB did not meet regularly. In addition, coordination, knowledge sharing, and lessons learned between the CXB team (where most CBT operations took place with various innovative solutions were being explored) and the other CO locations were limited.

Underlying cause(s): Importance of a consolidated distribution plan as a key input to transfer reconciliations not considered; competing priorities on automation processes and the need to continue to deliver cash transfers during the COVID-19 pandemic; BB transfer mechanism introduced in the CO in 2020, with relatively new standardization of processes; and legacy parallel structures from the inception of the L3 emergency response.

Agreed Actions [Medium priority]

The country office will:

- i. Develop and consolidate a cash-based transfer distribution plan approved by management in line with corporate guidelines.
- ii. Develop a prioritization plan for the development and implementation of digital solutions for key cash-based transfer subprocesses with defined timelines and resource requirements.
- iii. In consultation with relevant headquarters units, update the e-voucher standard operating procedure to include relevant processes related to building blocks and ensure its alignment with the upcoming Cash-Based Transfer Assurance Framework, and complete management endorsement of standard operating procedures.
- iv. Ensure that cash-based transfer working groups meet on a regular basis at country office level and that lessons learned and knowledge sharing sessions are held between Dhaka and Cox's Bazar.

Timeline for implementation

30 June 2022

Observation 6: Cash-Based Transfers and payment instrument reconciliations

61. The BB intervention process flow involved multiple steps including receiving raw data in the form of beneficiary lists from UNHCR; application of data anomalies as part of the CO's beneficiary data quality check; and manual preparation and uploads of the beneficiary payment list into the BB platform. Redemptions by beneficiaries at camp retail outlets were biometrically verified through an application programming interface (API) to UNHCR's biometric identity management system. Due to COVID-19 restrictions, this system was suspended and replaced with scanning of a QR code (abbreviated from Quick Response code) card⁵ printed on the UNHCR refugee card.

62. The CO did not perform a systematic and detailed transfer reconciliation to verify that CBT benefits were received by the intended beneficiaries and to ensure that discrepancies or duplication (if any) were appropriately

⁵ The QR code cards are unique identification cards that are used to facilitate errorless entry of the payment instrument number of the beneficiary households into the BB application.



identified and resolved. In January 2021, CXB established a cross-functional reconciliation task force⁶ to conduct a second-level review of reconciliation results. However, the task force had not been operationalized and did not have an independent reporting line to management.

Tracking and reconciliation of payment instruments

63. There was no proper tracking of mobile money SIM cards although there were frequent changes in beneficiary telephone numbers and multiple cases of entitlement receipt on alternative telephone numbers (for example a relative or neighbour). Such changes were verified solely by the relevant CP with no independent checks by the CO or the FSP. Furthermore, the beneficiary enrolment lists provided by CPs were in some cases missing key beneficiary identifying information. This limited the CO's ability to implement de-duplication control checks and trace any change to beneficiaries' phone numbers.

Tracking and reconciliation of Quick Response code cards

64. The distribution and reconciliation of the QR cards used in the urban response project to track beneficiaries' purchasing behaviour and offer cash backs on purchases of nutritious commodities was exclusively managed by the relevant CP. No reconciliation was conducted of the cards received, issued and in the custody of the CP.

65. CXB introduced SCOPE dummy cards to facilitate the timely resolution of issues (technological or operational challenges) arising at the time of redemption by beneficiaries. Use of the cards, which accounted for less than 1 percent of the total electronic vouchers transfer value,⁷ was complemented with a detailed evaluation of each beneficiary's eligibility for assistance; however, no comprehensive analysis and review of transactions was performed on the dummy cards to detect potential anomalies or duplication.

66. The CO used an Excel-based Voucher Reporting Log and a Tableau dashboard to track and report on the movement of beneficiaries' SCOPE cards. Although the Tableau dashboard provided an overview of the status of cards awaiting distribution, it did not permit a thorough analysis of long outstanding, undistributed cards in the custody of the CP to ensure timely follow-up and return of the cards.

Underlying cause(s): Transfer reconciliation procedures not included in existing CBT SOPs; CBT reconciliation task force only recently established, and terms of reference yet to be operationalized; CBT assurance for BB relying mainly on layered transactional review and approval processes with limited independent reconciliation; and tracking of distribution and changes in PIs and QR codes not fully prioritized.

Agreed Actions [High priority]

The country office will:

- i. Perform monthly distribution reconciliations for all cash-based transfer delivery mechanisms as required by the Cash-Based Transfer Assurance Framework and reconciliation guidance (including, but not limited to, the review of dummy card transactions).
- ii. Operationalize the reconciliation task force through an update of its terms of reference.
- iii. Implement the corporate payment instrument tracking system to ensure proper tracking and reconciliation throughout the payment instrument lifecycle.
- iv. Track and reconcile the Quick Response code cards issued by the cooperating partner.

Timeline for implementation

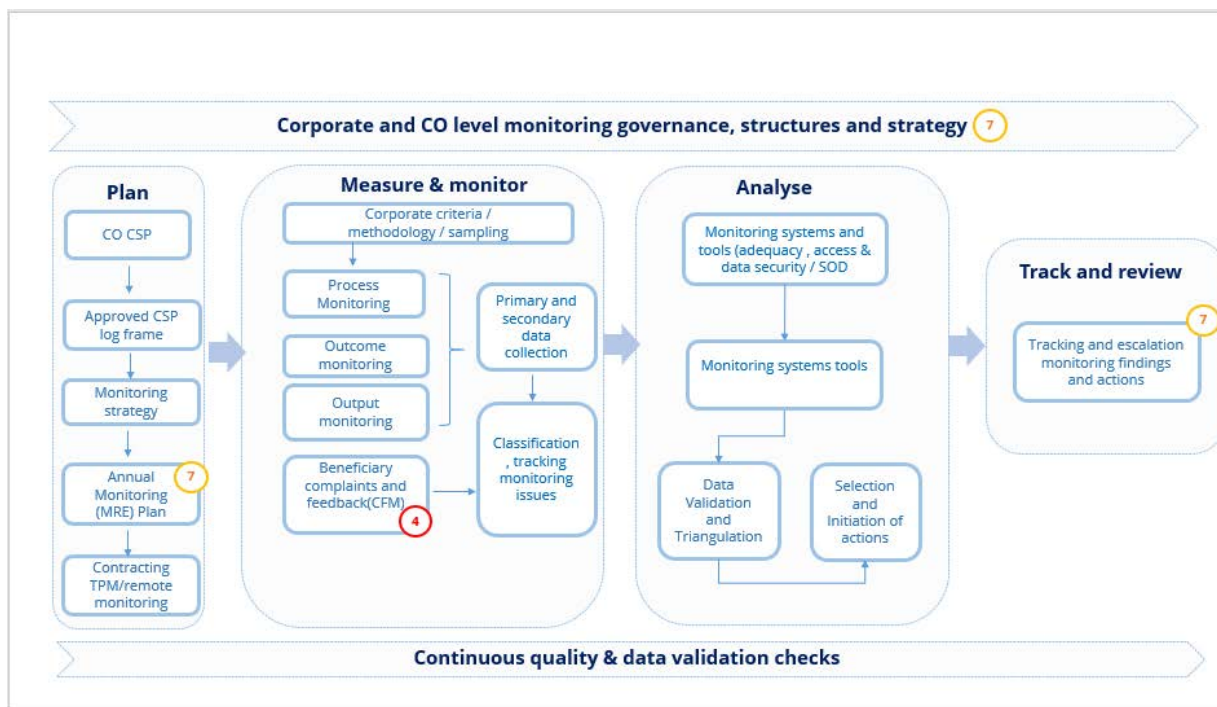
30 June 2022

⁶ Comprising of staff from the Finance and Supply Chain Divisions and the Digital Solutions Team.

⁷ Representing redemptions of USD 0.79 million out of the total electronic vouchers transfer value of USD 121 million.



Monitoring



Observation 7: Programme monitoring and reporting

Structure of monitoring units

67. As highlighted under observation 1, there were parallel staffing structures in the monitoring function. A monitoring needs assessment performed in CXB informed the consolidation of monitoring, evaluation, and vulnerability analysis into one unit. However, the assessment was not performed at the CO level, where a separate unit structure had been maintained. The different structures made it difficult for the CO to develop a detailed budget for all its monitoring activities using the corporate tool,⁸ and track budgeted versus actual costs. In addition, some field monitors had overlapping roles and responsibilities for implementing and monitoring programme activities.

Implementation of remote monitoring

68. With the introduction of COVID-19 restrictions, almost 97 percent of all monitoring was carried out remotely through phone calls to beneficiaries. However, a lesson learned exercise, which could further strengthen and mainstream remote monitoring as complementary to face-to-face monitoring, had not been conducted. While a system was in place to assess data quality and call success rates through spot checks with respondents, field monitoring assistants used WFP-allocated personal phones to contact beneficiaries when conducting remote monitoring. This prevented or limited independent analysis and checks on call data quality and success rates.

⁸ The monitoring review and evaluation planning and budgeting tool provides a standardized way of capturing VAM, monitoring and evaluation activities and costs, enhancing management and oversight of resources.



Implementation of oversight recommendations

69. In February 2020, the RBB Research, Assessment and Monitoring Unit (RAM) carried out an oversight mission and identified strengths, gaps and opportunities in the CO's systems and practices. As of July 2021, some of the mission's key recommendations were still outstanding, such as implementation of a CO-wide COMET SOP; assessment of monitoring and evaluation needs and requirements in the CO; application of the corporate standardized codebook to facilitate escalation; and a follow-up system for issue tracking. At the time of the audit field work, the process of escalating, tracking and updating monitoring findings remained based on Excel worksheets with no visibility of the individuals accountable for the follow-up and closure of monitoring issues identified.

Underlying cause(s): Competing operational priorities that have delayed implementation of oversight recommendations; recent implementation of the monitoring budgeting tool; implementation of remote monitoring because of COVID-19 restrictions; and the absence of a corporate digital tracking tool for monitoring findings.

Agreed Actions [Medium priority]

The country office will:

- i) Prioritize and allocate resources to implement the regional bureau oversight mission recommendations (e.g., leverage the capacity of the digital team to develop a monitoring tracking system and taking into consideration programmatic contextual changes).
- ii) In liaison with the Regional Bureau for Asia and the Pacific, undertake a lesson learned exercise from the remote monitoring conducted and develop actions to strengthen the use of existing country office tools, data quality checks and protection.

Timeline for implementation

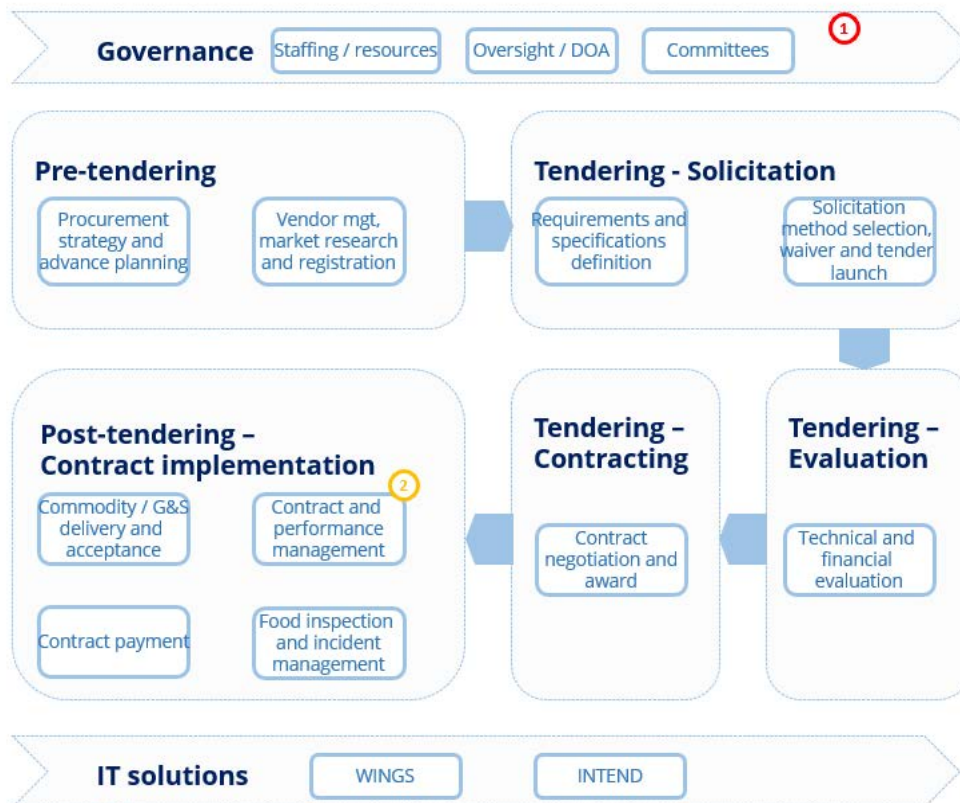
30 June 2022



Supply Chain

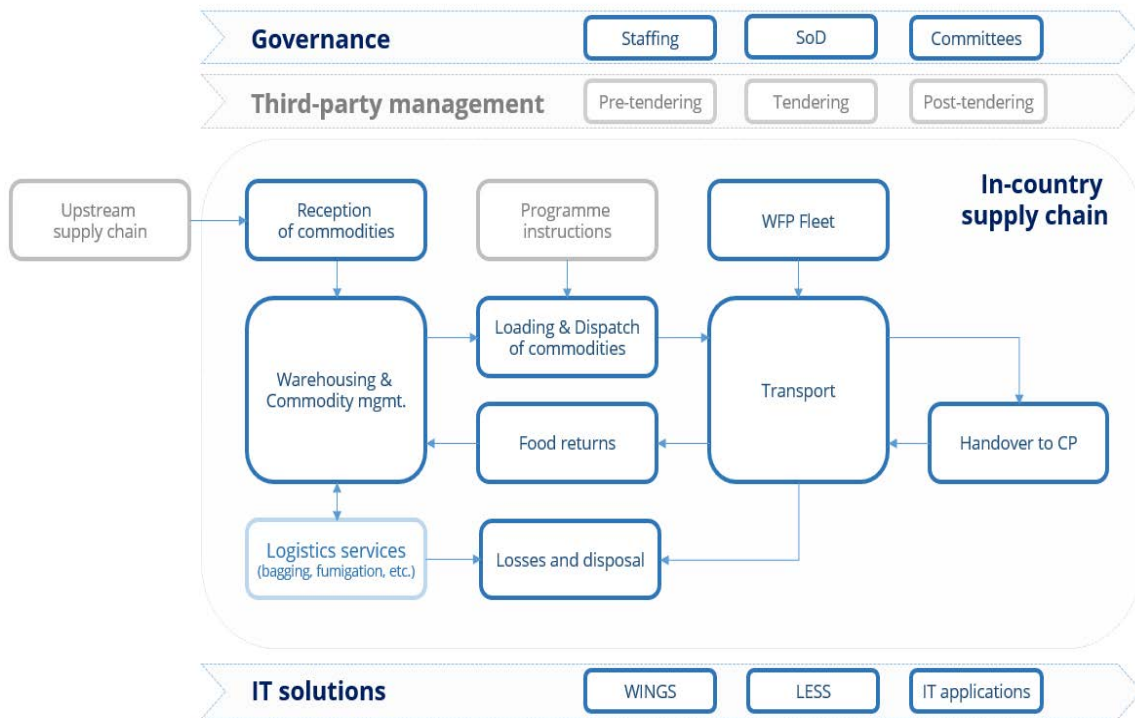
70. The areas reviewed by the audit related to supply chain are illustrated in the diagram below. No specifically reportable findings arose in procurement and logistics; however, reference is made to cross-cutting issues: observation 1 on parallel staffing and governance structures; and observation 2 on retailer contracts with multiple modalities and deliveries of food purchased by CPs.

Procurement





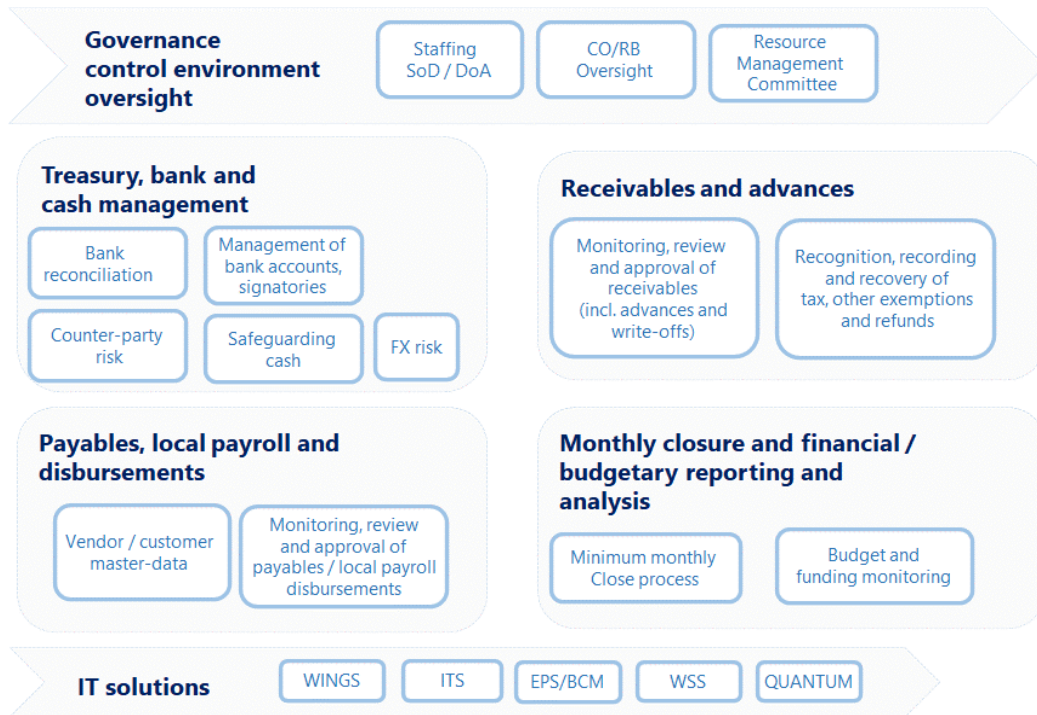
Logistics





Finance

71. The areas reviewed by the audit related to finance are illustrated in the diagram below. No specific reportable findings arose and, in general, controls were found to be operating effectively.





Annex A – Agreed action plan

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

The agreed action plan is primarily at the CO level.

| # | Observation (number / title) | Area | Owner | Priority | Timeline for implementation |
|---|--|------------------------|------------|----------|-----------------------------|
| 1 | Governance, risk management and workforce planning | Cross-cutting | CO | High | 30 June 2022 |
| 2 | Contract management | Cross-cutting | CO | Medium | 31 December 2021 |
| 3 | Beneficiary management | Beneficiary management | CO | Medium | 30 June 2022 |
| 4 | Complaints and feedback mechanism | Beneficiary management | CO TECD | High | 30 June 2022 |
| 5 | Cash-based transfers set-up and delivery | CBT | CO | Medium | 30 June 2022 |
| 6 | CBT and payment instrument reconciliations | CBT | CO | High | 30 June 2022 |
| 7 | Programme monitoring and reporting | Monitoring | CO | Medium | 30 June 2022 |

Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below:

Table B.1: Rating system

| Rating | Definition |
|---|---|
| Effective / satisfactory | The assessed governance arrangements, risk management and controls were adequately established and functioning well, to provide reasonable assurance that issues identified by the audit were unlikely to affect the achievement of the objectives of the audited entity/area. |
| Partially satisfactory / some improvement needed | The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated. |
| Partially satisfactory / major improvement needed | The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated. |
| Ineffective / unsatisfactory | The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated. |

2 Priority of agreed actions

Audit observations are categorized according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Table B.2: Priority of agreed actions

| | |
|--------|--|
| High | Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity. |
| Medium | Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity. |
| Low | Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money. |

Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.⁹

⁹ 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 Enterprise 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

| | |
|----------|---|
| BB | Building Blocks (an online digital transfer management system based on blockchain technology) |
| CBT | Cash-Based Transfers |
| CFM | Complaints and Feedback Mechanism |
| CO | Country Office |
| CP | Cooperating Partner |
| CS | Supply Chain Unit |
| CSP | Country Strategic Plan |
| CXB | Cox's Bazar Office |
| ERM | Enterprise Risk Management Division |
| FSP | Financial Service Provider |
| FSQ | Food Safety and Quality |
| G&S | Goods and Services |
| HR | Human Resources |
| LEG | Legal Division |
| LTC | Local Transport Committee |
| MT | Metric tonnes |
| OIG | Office of the Inspector General |
| OIGA | Office of Internal Audit |
| PAF | Payment Advice File |
| PI | Payment Instrument |
| PIA | Privacy Impact Assessment |
| RAM | Research, Assessment and Monitoring |
| RBB | Regional Bureau for Asia and the Pacific |
| SCOPE | WFP's beneficiary information and transfer management platform |
| SOP | Standard Operating Procedure |
| SugarCRM | Customer Relationship Management System |
| TECD | Digital Solutions Delivery Branch |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations Children's Fund |
| USD | United States Dollars |
| WFP | World Food Programme |
| WINGS | WFP Information Network and Global Systems – WFP's enterprise resource planning system |