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Internal Audit of WFP Operations in Lebanon

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



World Food
Programme

December 2021



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I. Executive Summary

WFP Lebanon Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Lebanon that focused on beneficiary management, cash-based transfers, monitoring, supply chain and finance, covering the period from 1 January 2020 to 30 April 2021.
2. As defined in the Country Strategic Plan 2018–2022,¹ operations in Lebanon aim to respond to the needs of Syrian refugees and vulnerable Lebanese, and to strengthen country systems. Expenditure pertaining to the Country Strategic Plan from 1 January 2020 to 30 April 2021 amounted to USD 435 million.
3. The audit focused on WFP's programme implementation under Strategic Outcomes 1 and 3 of the Country Strategic Plan, representing 95 percent of the plan's expenditure in 2020.

Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / some improvement needed**.² The assessed governance arrangements, risk management and controls were generally established and functioning well, but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
5. In 2020, the country office reached almost 1.4 million girls and boys, women and men across all activities. The management of beneficiary data is mostly digitized, with corporately and locally developed databases. The country office is the card administrator providing card management functions to agencies participating to the Lebanon One Unified Inter-Organisational System for E-cards. In that role, it uses a customized version of WFP's corporate SCOPE platform.
6. Country office management had established staffing and unit structures to ensure segregation of duties for cash-based transfer functions as advised by previous oversight mission reports;³ these had made specific recommendations regarding the user roles to be implemented in SCOPE and the overall unit roles and responsibilities. In addition, the country office had also strengthened Non-Governmental Organizations' partner and retail management over the audit period, supported by Headquarters and the Regional Bureau for the Middle East and Northern Africa.
7. The plunge in value of the Lebanese pound since late 2019, and the unfavourable exchange rates offered by Lebanese banks, severely impacted the purchasing power of the country office's beneficiaries. In collaboration with other partnering agencies, the country office managed to obtain a preferential exchange rate close to the 'street rate' thereby preserving, to the extent possible, beneficiary purchasing power.
8. The implementation of monitoring practices was in compliance with corporate guidance, with further improvements needed to increase their efficiency, as well as to track how monitoring issues translated into amendments to the programmatic design of the country office's operations, where relevant.

¹ WFP Lebanon [Country Strategic Plan](#).

² See Annex B for definitions of audit terms.

³ Including the 2015 Internal audit of WFP operations in Lebanon and the 2018 oversight report from the Headquarters Cash-Based Transfers Division.



9. The audit observed potential vulnerabilities related to the complex and customized solution architecture developed by the country office to support its beneficiary management and cash-based transfer operations, including modifications to SCOPE. Some of these automations, controls and analytics to support and improve cash-based transfer data management and assurance had been developed in collaboration with the Cash-Based Transfers Data Assurance Team in Headquarters; for others, in the absence of corporate solutions for all requirements,⁴ the country office's customised solution architecture for beneficiary and transfer management challenged full automation of processes, and also the implementation of effective corporate oversight on the country office's operations. The management of beneficiary data was split and, to some extent, duplicated between corporate and locally developed databases; this resulted in an absence of clear delineation of roles and responsibilities for beneficiary data and process ownership. As the country office is scaling-up its operations, it will face increasing operational risks if data management processes and technical solutions are not refined.

10. The audit noted some gaps and areas requiring improvement related to the implementation of unconditional in-kind food assistance, which were largely explained by the recent creation of the supply chain unit. Although the size of the in-kind operation was relatively small compared to cash-based transfer activities,⁵ the audit noted that the country office will continue to implement, and potentially scale-up, in-kind assistance in 2022.

Actions agreed

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

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

⁴ This corporate issue was noted in the 2021 Internal audit of SCOPE WFP's Digital Management of Beneficiaries (AR/21/08), in particular as part of Observation 4: Tailored product solutions for country offices - [link](#).

⁵ To implement in-kind assistance the country office procured food items for approximately USD 9 million, and logistic services (including transport and stocking) costing nearly USD 1 million. By comparison the transfer value of cash-based transfer activities in 2020 was USD 287 million.



II. Country context and audit scope

Lebanon

13. Lebanon, a densely populated country of approximately 5.8 million people, has long been considered an upper-middle-income country. It ranks high in the Human Development Index. In 2019, the Global Hunger Index reported Lebanon as having a moderate level of hunger, while undernourishment stood at 11 percent. However, the triple shock of the economic crisis, COVID-19 and the 2020 Beirut Port explosion, as well as the subsequent deterioration in the country's purchasing power, have negatively impacted the depth and breadth of food security and access to adequate food. In March 2021, the World Bank estimated that 35 percent of the Lebanese population was in extreme poverty (based on the international poverty line of 5.5 USD per person per day). In addition, 88 percent of Syrian refugees in Lebanon were living with less than the Survival Minimum Expenditure Basket, a dramatic increase from a level of 55 percent in 2019.

WFP operations in Lebanon

14. WFP activities in Lebanon fall under the Country Strategic Plan (CSP) 2018-2022, which is aligned with the Lebanon Crisis Response Plan (2017–2021), the United Nations (UN) Strategic Framework (2017–2021), the Lebanon National Agriculture Strategy (2020–2025), and the Lebanon Emergency Response Plan (2021-2022). The CSP positions WFP as a major partner of the Government, other UN agencies and local partners towards the achievement of the Sustainable Development Goals.

15. The country office (CO) reached almost 1.4 million girls and boys, women and men across all activities in Lebanon in 2020. Overall, women and girls represented over half of WFP beneficiaries, and Syrian refugees remained the largest beneficiary group. As more Lebanese were pushed into poverty in 2020, the CO more than doubled the number of vulnerable Lebanese assisted (compared to the previous year) by increasing the number of people receiving assistance in existing programmes such as the National Poverty Targeting Programme (NPTP), and through new activities developed in response to the economic crisis, COVID-19, and the Beirut Port explosion.

Objective and scope of the audit

16. 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 Lebanon. 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 fieldwork took place from 5 July to 5 August 2021, and was completed partly remotely due to COVID-19 restrictions, and partly in-country, encompassing a visit to the CO in Beirut and a sub-office in Zahle. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

17. The Office of Internal Audit (OIGA) developed a new audit approach for 2021 to adapt to COVID-19 constraints while increasing its audit coverage of country operations and providing assurance on five key areas of the end-to-end CO delivery process. In this audit, the five functional areas of focus were beneficiary management, monitoring, cash-based transfers (CBT), finance and supply chain.



18. Related to the CSP 2018-2022, the audit focused on activities under strategic outcomes 1 and 3, representing 90 percent of the CSP requirements and 95 percent of the CO's expenditure in 2020:

- *Strategic Outcome 1: Food-insecure refugees – including school-age children – and crisis-affected host populations have access to life-saving, nutritious and affordable food throughout the year.*
- *Strategic Outcome 3: Vulnerable populations in Lebanon are enabled to meet their basic food needs all year long.⁶*

19. 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.

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

⁶ To achieve Strategic Outcome 3, WFP supports the National Poverty Targeting Programme (NPTP) in partnership with the Ministry of Social Affairs (MoSA), the Presidency of the Council of Ministers (PCM), and the World Bank. WFP provides cash-based assistance through food e-cards to meet the food needs for 15,000 vulnerable Lebanese families across Lebanon, and in 2021 will expand to reach 50,000 families in response to increased vulnerabilities amongst Lebanese.



III. Results of the audit

Audit work and conclusions

21. The five observations arising from the audit are presented below, grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 18), plus an initial section to capture cross-cutting issues.

22. 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: Solution architecture for beneficiary and transfer management

Solution architecture for beneficiary data management

23. The CO provided assistance to more than 1.4 million beneficiaries in 2020 through cash-based transfer modalities and distribution of family food parcels. The management of beneficiary data was mostly digitized, using both corporately (for example DAT,⁷ MoDa,⁸ and SCOPE) and locally developed databases. Beneficiary data was split, and in some cases duplicated, between the local SQL database, the DAT platform and SCOPE.

24. Roles and responsibilities between the headquarters Technology Division (TEC) and the CO's Programme, Vulnerability Analysis and Mapping (VAM) units and field offices had not been redefined to reflect operational and technical developments. This resulted in an absence of clear delineation of roles and responsibilities for beneficiary data and process ownership.

25. As the CO is scaling up its operations, it will face increasing operational risks if data management processes and technical solutions are not clarified. As an example, the multitude of data sources presents a major risk to data and beneficiary list integrity; this issue was previously identified by the CO and in June 2021, with the support of WFP Fast IT and Telecommunications Emergency and Support (FITTEST) Team, work started on an improved solution architecture for stable, reliable, and integrated beneficiary data management solution for all programmes.

Customized card management platform

26. For the refugee response under Strategic Outcome 1, WFP, the Office of the UN High Commissioner for Refugees (UNHCR) and the UN Children's Fund (UNICEF) provide basic assistance using a common card through the Lebanon One Unified Inter-Organisational System for e-Cards (LOUISE), a unified system for cash transfers. WFP is the card administrator for the LOUISE platform, providing a card management function to agencies participating in the LOUISE system. It delivers 80 percent of cash transfers to refugees. WFP's SCOPE card management module was used by the CO to provide central support/middleware between the different partnering agencies and the financial service provider (FSP), receiving requests from partnering agencies, and providing consolidated data to the FSP.

⁷ Platform provided by the Data Assurance Team (DAT).

⁸ MoDa (Mobile Operational Data Acquisition) is WFP's data collection platform.



27. The version of SCOPE used by the CO had been customized by TEC⁹ to regulate the issuance and re-issuance of wallets, cards and PINs. This unique customisation and set-up in WFP, as noted in the 2021 audit report of SCOPE,¹⁰ challenged the implementation of effective corporate oversight over the CO's operations, specifically due to the absence of corporately endorsed standard application controls. The audit noted that attempts to mitigate such oversight risks had been initiated via collaboration between the CO and the DAT team in the headquarters CBT division; DAT supported the CO to improve controls and assurance with expertise and tools to manage the data generated by FSPs' systems.¹¹

28. The customised SCOPE card management module did not allow the CO to track and manage payment instruments through their entire lifecycle. Therefore, the Payment Instrument Tracking (PIT)¹² application was introduced to mitigate the risks associated with the management of real time movement of cards, to improve the accountability and accuracy of payment instruments status information, and also to increase the efficiency of the overall process. At the time of the audit the interfacing of SCOPE and PIT had not yet been completed, and the CO could not ensure that whatever was recorded in PIT was reflected in SCOPE (and vice versa). The CO confirmed that full integration between both systems had been implemented after the audit fieldwork and prior to issuance of the audit report.

Underlying causes: Complex set-up for beneficiary management and CBT operations involving service provision to partnering agencies; need for a card management platform when no corporate solution is available.

Agreed Actions [Medium priority]

1. The Cash-Based Transfers Division, in collaboration with the Technology Division, will assess to which extent corporately endorsed standard application controls in SCOPE are implemented; and identify and mitigate any limitations in current corporate oversight.
2. The country office will:
 - i) Finalize the development of a roadmap that defines a cohesive approach to beneficiary data management and optimizes the synergies of different technologies, and obtain endorsement of the roadmap at a corporate level.
 - ii) Continue to clarify roles and responsibilities in beneficiary data management; and align its digital assistance RACI (responsible, accountable, consulted, and informed) matrix.
 - iii) Develop training plans for all stakeholders involved in beneficiary management and coordinate capacity building activities as needed.
 - iv) In collaboration with the Technology Division, establish and document customized business process transaction flows and associated application controls for the Lebanon SCOPE platform to serve as the basis of end-to-end business process and application control reviews.

Timeline for implementation

30 June 2022

⁹ COs are encouraged to use the SCOPE system without customisation. However, where necessary COs can request TEC to develop tailored product solutions or enhancements, or request support to tailor the system's configuration.

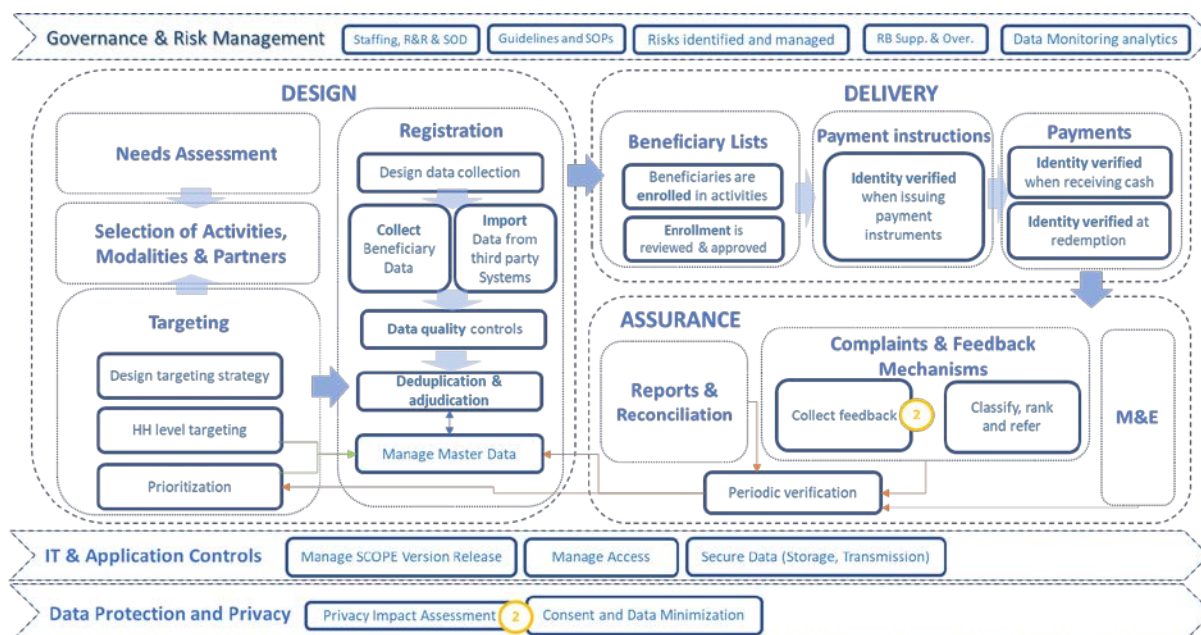
¹⁰ Internal audit of SCOPE WFP's Digital Management of Beneficiaries (AR/21/08) - [link](#).

¹¹ The collaboration between DAT and the CO on CBT data assurance and technical solutions started in February 2019. Among other initiatives, DAT has implemented for the CO a regular automated import of data from the FSP, a secure cloud-based database hosting CBT data, available to local analysts/engineers for query/analytics, and an anomaly dashboard which computes a number of redemption transaction anomalies and displays results on a web dashboard in Tableau.

¹² The PIT application allows COs to digitally log, distribute, track and manage cards throughout their lifecycle.



Beneficiary management



Observation 2: Beneficiary management

Privacy impact assessment

29. The CO last carried out a Privacy Impact Assessment (PIA) in 2019, following a biometric validation project aimed at establishing a more robust means of verifying the identity of refugees. Although this PIA detailed sensitive data being processed and potential risks and mitigation strategies, it did not meet all corporate requirements of a “do no harm” analysis. In particular, findings from consultations with beneficiaries on the intended uses of data and an outlook on domestic legislation on data protection were missing. In addition, the recent scale up of assistance to new vulnerable groups involved the collection and retention of further sensitive data; while the CO had made efforts with respect to data minimization, it had not carried out a PIA for these new activities.

30. At the time of finalizing the audit report, the CO had started to conduct an analysis to complement the existing PIA and to reinforce this area through the implementation of standard operating procedures (SOP) and the appointment of a focal point within the Accountability to Affected Populations (AAP) unit. The audit was not able to assess these recent ongoing initiatives.

Complaints and feedback mechanism

31. Since 2017, the LOUISE call centre in Lebanon has been used to receive any complaints from beneficiaries within the refugee population. As highlighted by the CO, this joint call centre did not adequately meet WFP’s requirements as data was hosted on UNHCR’s system and WFP had access to limited call categories only. Data provided was not disaggregated to allow for adequate analysis; and the system did not include beneficiaries within the Lebanese population.

32. Following several discussions between UNHCR and WFP, and an assessment of different options, the CO decided to implement SugarCRM,¹³ WFP’s corporate digital tool for Complaints and Feedback Mechanism (CFM), to strengthen the management of complaints in 2021. At the time of finalizing the audit report, the

¹³ SugarCRM, a Customer Relationship Management (CRM) software, is WFP’s corporate digital tool for CFM, allowing safe storage, accurate management, and detailed analysis of feedback received from users.



new set-up was active for the Lebanese population, while the transition from the joint service for refugees was ongoing. Key elements to be finalized were a communication strategy regarding the hotline and coordination with UNHCR for the new set-up, including its implications for the Grievance Redress Mechanism (GRM).¹⁴

33. During the audit period referrals from UNHCR were first captured in Excel and then in the Monitoring & Evaluation Database System (MEDS). The audit's review of a sample of cases identified gaps in the follow-up, with closed cases still reported as open in the system, lack of documentation to support actions taken to close protection complaints, and data integrity issues. Staff reported that training to use MEDS happened several months after the system was adopted. To address these issues and improve the management of complaints received, the CO implemented the SugarCRM system in parallel to the set-up of the new call centre in 2021.

Underlying causes: Lack of a PIA training roll-out; PIA led by Information Technology (IT) unit with limited input from Programme; joint call centre and CFM process not effective.

Agreed Actions [Medium priority]

The country office will:

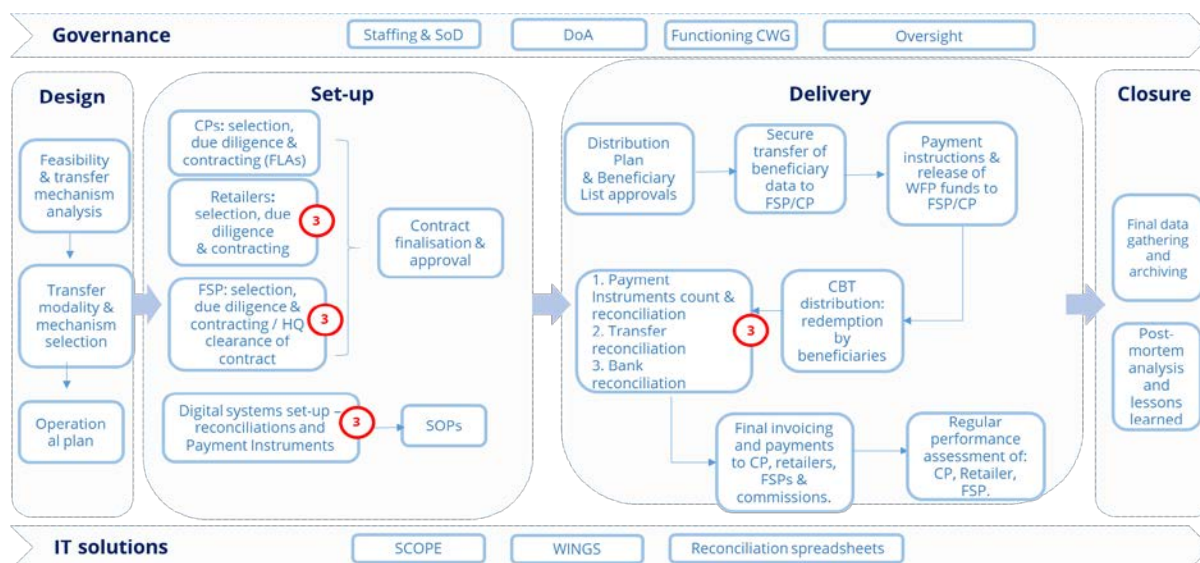
- i) Following a training roll-out, carry out a Privacy Impact Assessment led by the Programme unit.
- ii) Finalize the establishment of the new call centre and complaints and feedback mechanism process, including the communication strategy, the Grievance Redress Mechanism Standard Operating Procedure, and the transition from the joint call centre for refugee complaints and feedback.

Timeline for implementation

31 March 2022

¹⁴ The Grievance Redress Mechanism (GRM) is an accountability mechanism used to collect and address appeals related to exclusion errors during beneficiary targeting in refugee operations; the joint call centre has been the main channel to receive such appeals.

Cash-Based Transfers



Observation 3: Cash-based transfers

Assessment of financial and operational risks

34. As part of the FSP selection process, a due diligence review of the four bidders was conducted jointly by the CO, the Regional Bureau for the Middle East and Northern Africa (RBC), and the Finance Business Development Cash-Based Transfers Unit (FINB). The due diligence did not include an assessment of all operational risks associated with the FSPs' operational set-ups.

Automated processes

35. The audit noted a persistence of manual tasks because of the customized CBT set-up in place in the CO, leading in some cases to control gaps and weaknesses:

- An Automated and Secure File Transfer with Partners (ASFTP)¹⁵ solution was not implemented during the audit period to mitigate the risks related to file exchange. In its absence, exchange of information by emails was not secure and posed significant risks in terms of data Integrity, data confidentiality and data availability. This issue had been identified by the CO and was addressed after the audit fieldwork through the implementation of the WFP-developed file management/secure file transfer solution NEST.¹⁶
- Staggered uploads are necessary in Lebanon to deal with the volume of transfers processed and the local financial risk context. This facility is not supported by the standard SCOPE platform, and manual entries are required, leading to breaches in segregation of duties within the CO with a risk that files are manipulated for fraudulent purposes. Staggered uploads involved manual amendments of the Payment Advice File (PAF) by the CO CBT unit after issuance by the Finance unit to include planned upload dates for payment instructions. There were no mitigating controls in place to prevent such manipulations, and detective controls were still under development (see Observation 1).

¹⁵ An ASFTP is a secure method of exchanging CBT-related information with FSPs, such as beneficiary account information, payment lists, payment advice files, and related reports.

¹⁶ NEST is a file management/secure file transfer solution to exchange information with FSPs. It acts as a "middleware" to connect FSPs with WFP for ASFTP.



Retailer management

36. Retailer monitoring and capacity building were adversely affected by COVID-19 (either stopped or reduced) during 2020. Due to restrictions on movement, field offices were not always able to conduct shop monitoring visits, and subsequently no feedback was available to assess their performance.

37. Following the receipt of the April 2021 targeting list, a gap analysis exercise was launched with the purpose of reviewing operational needs and identifying potential gaps in shop distribution. Upon request from the CO the Headquarters Supply Chain CBT & Markets Unit (SCOT) carried out a support mission which identified areas to strengthen in retailer contracting and management processes, including the need for clear roles and responsibilities for retail and monitoring staff working in field offices. Leveraging on the use of data analytics to quickly spot irregularities to investigate is a priority given the onboarding of numerous new retailers.

Return of unredeemed CBT benefits

38. The audit noted instances when follow-up, clarification, clearance and approval for offloading¹⁷ took one or more months. In some cases, the offloaded amounts related to loadings done in the previous year.

39. Unredeemed benefits should in the first instance be allocated to the participating agency whose benefits were the last to be credited to the relevant wallets, as specified in the payment instructions. The Finance unit did not have the supporting information and systems to verify the FSP's detailed computation and allocation of returned benefits to participating agencies. The issue had been identified by the CO, and the CO had developed a technical solution, yet to be rolled out, to allow checking of FSP computations.

Underlying cause(s): Complex set-up for CBT operations involving service provision to partnering agencies and staggering uploads; reluctance of partnering agencies to provide transaction details.

Agreed Actions [High priority]

The country office will:

- i) In consultation with the Finance Business Development Cash-Based Transfers Unit, assess the need for a complementary due diligence on the operational set-up of the contracted FSP and its card processing subsidiary.
- ii) In collaboration with the Technology Division, expedite the development of fully automated processes for the issuance of upload schedules for payment instructions; and in the meantime undertake a mapping of stakeholders' responsibilities to identify segregation of duties conflicts and areas which require additional oversight at the country office level.
- iii) In consultation with the Headquarters CBT & Markets Unit, clarify the roles and responsibilities of the retail and monitoring teams working in field offices; ensure consistency of these roles across field offices; and leverage the expertise and skills that are available.
- iv) In collaboration with the Headquarters Data Assurance Team, finalize the development of the enhanced Transactions Anomaly dashboard.
- v) Implement an accuracy check on the computation and allocation of returned benefits to participating agencies.

Timeline for implementation

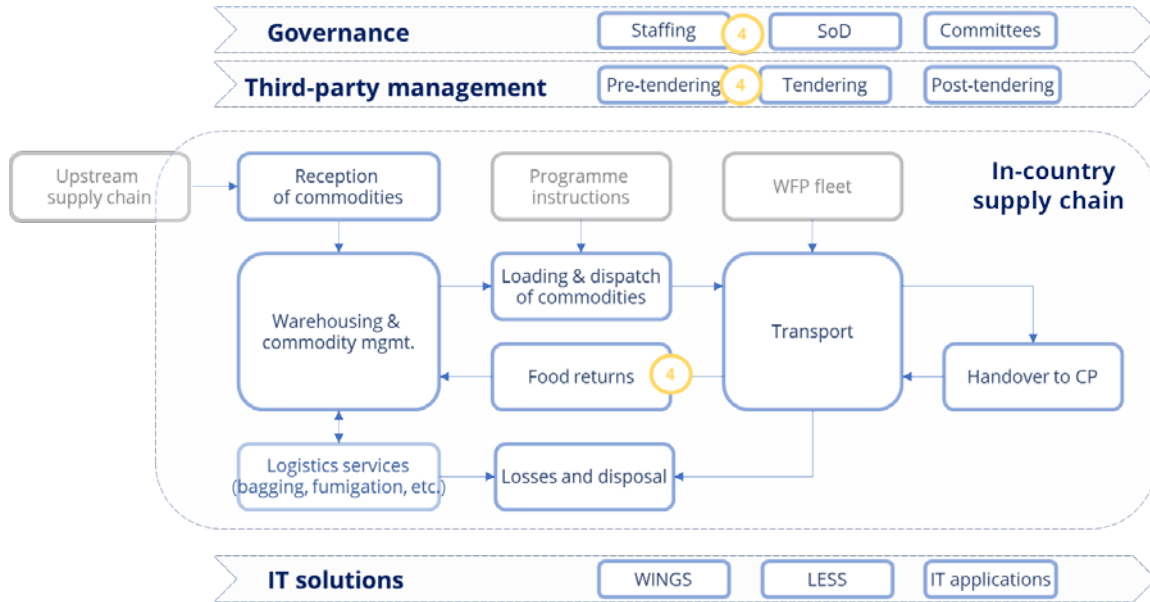
30 June 2022

¹⁷ Offloading of unredeemed benefits may take place under a variety of scenarios, including clearance of amounts remaining credited to wallets after the availability date; disabled wallets; or wallets for which prepaid cards have expired, or have been cancelled or deactivated.

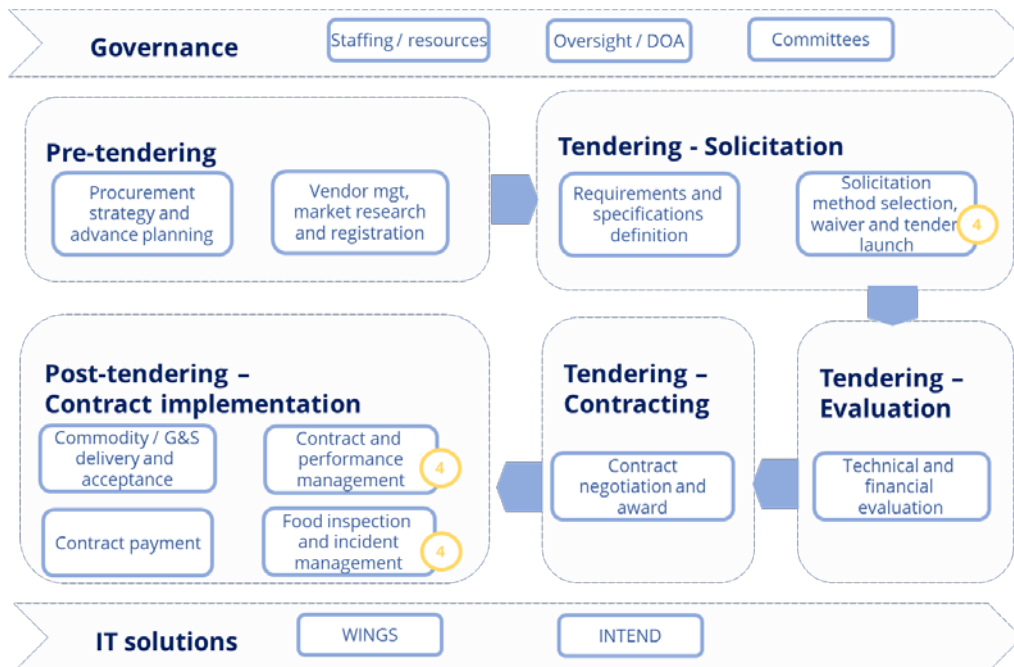


Supply Chain

Logistics and commodity management



Procurement



Observation 4: Supply Chain management

Staffing and governance

40. The CO resumed in-kind food assistance in the second half of 2020 to respond to the increasing needs of vulnerable Lebanese households. Initially, the Syria CO and RBC initially supported contracting and management of dispatches to compensate for a lack of staffing and, within the Lebanon CO, one staff member from the Retailers Unit acted as the main logistics focal point. This arrangement did not provide appropriate segregation of duties. With monthly food requirement of 5,000 metric tonnes (MT) at the time of the audit fieldwork, a new Supply Chain Unit was established.

41. Logistics staff in field offices were mainly contracted through Special Service Agreements (SSAs); even if this modality was consistent with the initial short-term plan for the in-kind intervention, it contributed to disruptions in the continuity of operations. At the time of the audit report the CO was progressively increasing the size of its Supply Chain Unit, and had appointed a Deputy Director Support Services and an internationally contracted Head of Supply Chain to strengthen the area. Given the planned extension of in-kind operations, a structural review would assist in further streamlining the logistics process and in ensuring appropriate segregation of duties.

Logistics

42. To meet transport requirements, the CO relied on a single contractor award. The selection of the transporter was competitive although not guided by a comprehensive analysis of the local transport and logistics market. The CO had not carried out a Logistic Service Market Assessment (LSMA) in compliance with recently introduced corporate requirements. To address this gap, the CO contracted an additional transporter in September 2021 and, at the time of the audit report, the Logistics and Field Support Unit in Headquarters (SCOL) and RBC were working on a plan to support conducting the LSMA.

Food safety and quality

43. Food returns during the audit period were 550 MT, with food quality the main cause. The amount of returns was high compared both to the total quantity of commodities delivered in the CO (approximately 21,500 MT including food parcels, as well as 12,500 MT of wheat flour) and to corporate standards (the CO's returns averaged 2.44 percent of food deliveries versus a WFP-wide average of 1.08 percent). This area was also highlighted as a concern by cooperating partners (CP) interviewed during the audit.

44. The CO had not created a Food Incident Management (FIM) Committee and had not disseminated the Rapid Incident Notification Grid (RING) as required by corporate standards, thereby missing opportunities to sensitize WFP and CP staff on food safety and quality controls and incident reporting protocols.

Food procurement

45. The audit noted that limited gathering of market intelligence had been undertaken prior to the launch of food procurement actions. This resulted in requests for waived competitive tender processes relating to two out of three procurement actions for food parcels. An RBC procurement support mission report dated May 2021 reviewed these waivers and highlighted challenges related to timely contract signature and food dispatch, resulting in consequent exposure of commodities to food quality risks. In July 2021, the CO signed a Basic Agreement with the Lebanese Government, which will allow importation of commodities and provide additional tendering options not available previously.

46. The CO identified several issues concerning the performance of food suppliers and the superintendent, although these were not consistently captured in vendor performance evaluations. The issues identified included inadequate storage and packaging of the food parcels, limited capacity and delays in meeting CO food requirements, and mismatching between invoices and actual deliveries. One supplier performance evaluation was not documented, preventing opportunities to systematically follow up on underperformance



and to maintain relevant records for future reviews of the vendor roster. In addition, the RBC procurement mission report highlighted that the superintendent had limited understanding of its contracted scope of work and had not met expected deliverables

Underlying cause(s): Gaps in staffing capacity (understaffing and lack of skillsets); challenges in vendor and CP management contributing to food quality issues; lack of Basic Agreement with the government during the audit period; fluid context and needs resulting in constant reassessment of choice of delivery mechanism; limited market intelligence.

Agreed Actions [Medium Priority]

The country office will:

- i) Review the current Supply Chain structure and carry out a skills gap analysis.
- ii) In coordination with the Regional Bureau for the Middle East and Northern Africa and the Logistics and Field Support Unit, carry out the Logistics Service Market Assessment and consider engaging additional transporters as back up plan.
- iii) Establish a Food Incident Management Committee and disseminate the Rapid Incident Notification Grid through training to staff and cooperating partners on food incident management
- iv) Finalize market intelligence gathering and review the vendor performance management process.
- v) Track and finalize implementation of the procurement report recommendations made by the Regional Bureau for the Middle East and Northern Africa.

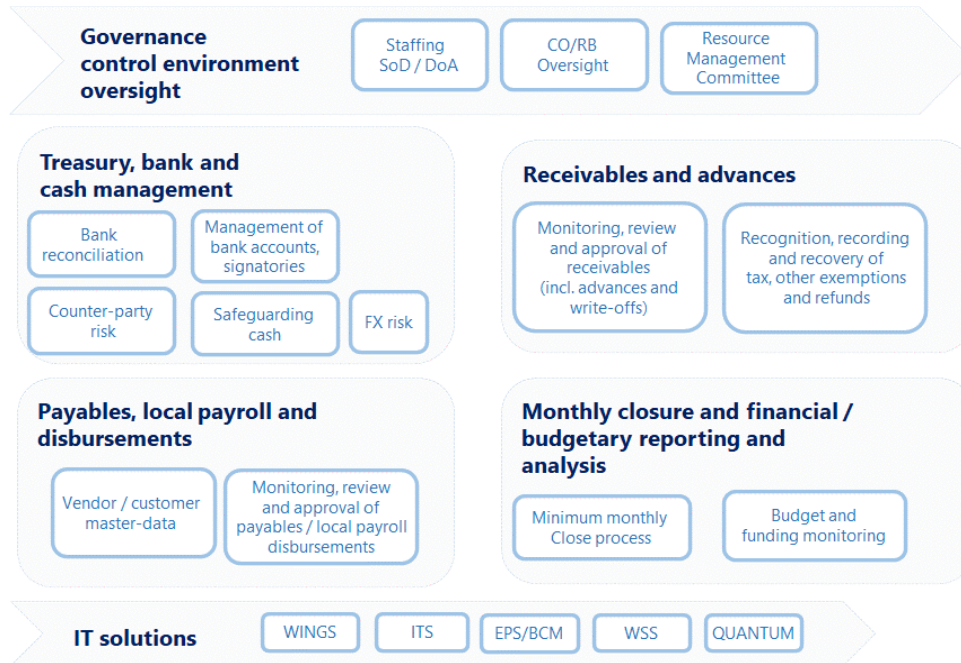
Timeline for implementation

31 December 2021

Points (iv) and (v) of the agreed action had been implemented by the country office prior to issuance of the audit report.



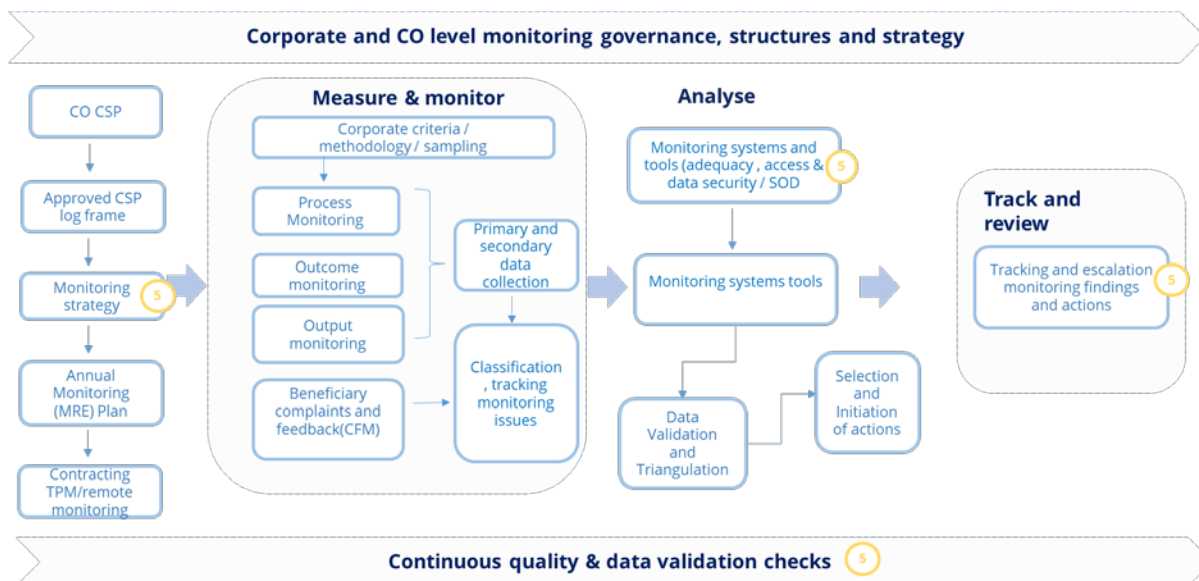
Finance



47. The areas reviewed by the audit related to Finance are illustrated in the schematic diagram above. No reportable findings arose (see paragraph 22 for more details) and, in general, controls were found to be operating effectively with both the finance and resource management processes effectively managed.



Monitoring



Observation 5: Monitoring

48. Although the CO had established a monitoring and evaluation plan and had fulfilled the corporate minimum monitoring requirements, it did not have a monitoring strategy.

49. Some areas for improvement were noted in the efficiency of implementation of monitoring activities:

- Exhaustive monitoring reports were produced; the extent of their use and the value they added to the programmatic design of the CO’s operations was unclear.
- The CO was challenged to implement comprehensive rather than sample-based monitoring due to staff availability and high monitoring staff turnover in field offices. As a result, in some instances, staff from other units were undertaking monitoring activities; quality checks were not systematically performed in one field office.

50. The audit noted that the CO had compiled a list of programmatic issues identified during monitoring activities from May 2021. There was no tracking in place to indicate how these results and issues were addressed or translated into amendments to programmatic design.

Underlying cause(s): High turnover and workload of monitoring staff in field offices.

Agreed Actions [Medium priority]

The country office will:

- i) Prepare a monitoring strategy defining objectives, roles and responsibilities.
- ii) Perform monitoring activities on a risk-basis to improve efficiency, and improve use of data analytics.
- iii) Track the implementation of actions taken to address issues identified through monitoring activities. Implemented.

Timeline for implementation

30 June 2022

Point (iii) of the agreed action had been implemented by the country office prior to issuance of the audit report.



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	Solution architecture for beneficiary and transfer management	Cross-cutting	CBT Division CO	Medium	30 June 2022
2	Beneficiary management	Beneficiary management	CO	Medium	31 March 2022
3	Cash-based transfers	CBT	CO	High	30 June 2022
4	Supply Chain management	Logistics, commodity management and procurement	CO	Medium	31 December 2021
5	Monitoring	Monitoring & Evaluation	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.¹⁸

¹⁸ 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

AAP	Accountability to Affected Populations
ASFTP	Automated and Secure File Transfer with Partners
CBT	Cash-Based Transfers
CFM	Complaints and Feedback Mechanism
CO	Country Office
CP	Cooperating Partner
CRM	Customer Relationship Management
CSP	Country Strategic Plan
DAT	Data Assurance Team
ERM	Enterprise Risk Management Division
FIM	Food Incident Management
FINB	Finance Business Development Cash-Based Transfers Unit
FITTEST	Fast IT and Telecommunications Emergency and Support
FSP	Financial Service Provider
GRM	Grievance Redress Mechanism
LOUISE	Lebanon One Unified Inter-Organisational System for E-card
LSMA	Logistic Service Market Assessment
MEDS	Monitoring & Evaluation Database System
MoDa	Mobile Operational Data Acquisition – WFP's data collection platform
MoSA	Ministry of Social Affairs
MT	Metric Ton
NEST	WFP's file management/secure file transfer solution to exchange information with FSPs
NPTP	National Poverty Targeting Programme
OIGA	Office of Internal Audit
PAF	Payment Advice File
PCM	Presidency of the Council of Ministers
PIA	Privacy Impact Assessment
PIN	Personal Identification Number
PIT	Payment Instrument Tracking
RACI	Responsible, Accountable, Consulted and Informed
RBC	Regional Bureau for the Middle East and Northern Africa
RING	Rapid Incident Notification Grid
SCOPE	WFP's beneficiary information and transfer management platform



SCOL	Logistics and Field Support Unit
SCOT	Supply Chain CBT & Markets Unit
SFTP	Secure File Transfer Protocol
SOP	Standard Operating Procedure
SQL	Structured Query Language
SSA	Special Service Agreement
SugarCRM	WFP's Customer Relationship Management (CRM) software
TEC	Technology Division
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USD	United States Dollar
VAM	Vulnerability Analysis and Mapping
WFP	World Food Programme
WINGS	WFP Information Network and Global Systems