

12 January 2022

Management Comments to the Internal Audit Report of WFP Operations in Lebanon (AR/21/21)

WFP Management welcomes the observations made by the Office of the Inspector General (OIG) in its internal audit report (AR/21/21) on WFP operations in Lebanon, covering the period from 1 January 2020 to 30 April 2021. WFP Management appreciates the focus on five functional areas comprising beneficiary management, monitoring, cash-based transfers (CBT), finance and supply chain.

WFP operations in Lebanon are defined through its Country Strategic Plan (2018–2020), which was extended until the end of 2022, to support refugees and vulnerable Lebanese populations. WFP Management acknowledges that the operating environment was one of compounded crisis during implementation. A spiralling economic crisis and civil unrest have been exacerbated by the impact of the COVID-19 pandemic and the August 2020 Beirut port blast. Political instability has prevailed and in 2020 Lebanon experienced nationwide fuel shortages. In response, WFP implemented a range of measures to increase the level of humanitarian assistance across the country.

In 2020, WFP and cooperating partners reached almost 1.4 million people with food and cash assistance in Lebanon. The country office worked to segregate cash-based transfer duties effectively and to strengthen the capacity of partners and retailers to manage the cash transfer process, in conjunction with WFP headquarters and the Regional Bureau for the Middle East and North Africa. Additionally, to protect the purchasing power of WFP beneficiaries, a preferential exchange rate was negotiated for cash-based transfers. Monitoring arrangements were implemented that aligned with corporate guidance.

WFP Management takes note of the overall audit rating of “**partially satisfactory / some improvement needed**” and agrees with the one high priority and four medium priority observations. The audit observed potential vulnerabilities in the complex cash-based operation and the supply chain processes. WFP has already started to implement some of the agreed actions, such as additional training for employees and partners, assessment of the impact of data privacy and the establishment of a new call centre and complaints feedback mechanism to improve beneficiary management and monitoring. Several recommendations related to supply chain processes will be implemented to ensure that procurement procedures are fully compliant with corporate standards. WFP Management is committed to meeting deadlines for all agreed actions.

WFP Management acknowledges the high priority observation on the existing set-up for cash-based transfers; particularly concerning a lack of consistent technological automation to load beneficiaries’ electronic entitlement cards (e-cards), the need for tighter controls for retailer management and the limited control over the return of unredeemed benefits. WFP Management commits to providing support for further automation of the cash-based transfers system to reduce the risk of any potential duplication between the automated and manual loading of e-cards. WFP Management will support increased due diligence on partners, further improve the segregation of duties and undertake accuracy checks on the computation and allocation of returned benefits. A headquarters data assurance team will finalise development of an enhanced transactions anomaly dashboard.

WFP Management would like to thank the Office of the Inspector General for the thorough analysis undertaken in Lebanon, including visits to field offices. WFP Management is confident that the

implementation of agreed actions by the respective due dates will further strengthen the governance, risk management and internal control processes of WFP's operation in Lebanon.