

3 March 2022

### **Management Comments to the Internal Audit of WFP Operations in Iran (AR/22/03)**

WFP Management welcomes the observations made by the Office of the Inspector General (OIG) in its internal audit report (AR/22/03) on WFP operations in the Islamic Republic of Iran, covering the period from 1 January 2020 to 31 July 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 Iran are defined through its Country Strategic Plan (2018–2020), which was extended until the end of 2022, mainly to support Afghan and Iraqi refugees in Iran, but also to assist Iranians affected by natural disasters. WFP Management acknowledges that the operating context in Iran is marked by the impact of decades of economic sanctions on the country. The operating environment during the period covered by the internal audit was one of compounded crisis with a failing economy exacerbated by the impact of one of the most severe outbreaks of COVID-19 pandemic in the region. In response, WFP implemented a range of measures to increase the level of humanitarian assistance across the country including the provision of personal protection equipment to staff and volunteers of the Iranian Red Crescent Society and augmenting its support to refugees by doubling the cash transfer value and reintroducing vegetable oil to their food rations.

The role of the government as the main partner for WFP operations presents some challenges, yet the country office has successfully implemented standard operating procedures tailored to the operational context. Functional controls have been established in key areas such as beneficiary management, cash-based transfers, monitoring, and oversight, as well as financial controls such as authorisation and approval of payment instructions, verification of benefit receipts, transfer and bank reconciliations, and final invoicing and payments. Procurement processes have also been strengthened through the establishment of local procurement committees, together with ensuring that food vendors take part in a comprehensive due diligence process before registration in the vendor roster. The country office has been able to effectively monitor contract execution and vendor performance to better justify contract renewals and extensions. Exposure to the risk of local currency exchange rate fluctuations against the United States Dollar (USD) and market volatility has been mitigated by maintaining resources in Euros for immediate operational needs and through creating food purchase orders in USD.

WFP Management takes note of the overall audit rating of “effective/ satisfactory” and agrees with the six medium priority observations which will be addressed by 31 December 2022. Action has already started on ensuring adequate segregation of duties between the implementation and the monitoring of activities which due to the small size of the office were carried out by the same staff member. In addition, the country office has already reached out to the Regional Bureau for the Middle East and Northern Africa for support in cleaning up the vendor master data, with a vendor records duplicate check initiated to ensure full compliance with the vendor and customer master-data management directive.



WFP Management would like to thank the Office of the Inspector General for the thorough analysis undertaken in Iran, which included a visit to the field and meetings with donors and other partners such as the Government counterpart. 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 Iran.