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Internal Audit of WFP Operations in Jordan

Office of the Inspector General
Internal Audit Report AR/22/08



World Food
Programme

May 2022



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I. Executive summary

WFP Jordan Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP's operations in Jordan that focused on beneficiary management, cash-based transfers, monitoring, supply chain, finance, and a tailored review of cooperating partner management. The audit covered the period from 1 January to 31 December 2021.
2. WFP Jordan's Country Strategic Plan 2020–2022¹ was formulated with the Government of Jordan to support refugees; strengthen the national social protection programme; and provide technical and financial support to national institutions. Through the Country Strategic Plan's four main strategic outcomes, WFP has continued to rebalance its portfolio towards supporting Jordan and its national priorities.
3. Expenditure pertaining to the Country Strategic Plan for the audit period amounted to USD 213 million. The audit focused on programme implementation under Strategic Outcomes 1² and 2³ of the Country Strategic Plan, which accounted for 95 percent of the plan's expenditure during the audit period.
4. In 2021, WFP provided food assistance to 1.2 million Jordanians and refugees in communities and camps. As in previous years, unconditional cash transfers and electronic food vouchers were WFP's main activities in 2021, amounting to USD 175 million and accounting for 96 percent of all resource transfers.

Audit conclusions and key results

5. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **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.
6. WFP's operational context in Jordan, an upper-middle-income country with a mature financial services sector and functioning markets, has allowed the country office to progressively develop and fine-tune its cash-based transfer processes over the years. The country office used innovative technologies such as blockchain and biometric verification, and made extensive use of data assurance in its cash-based transfer activities to deliver assistance effectively and efficiently. These technologies also provided the country office with greater visibility and oversight of operational challenges and enabled strengthening of internal controls.
7. Overall, the country office had strong staff capacity, and the key functional areas reviewed had detailed standard operating procedures in place. The country office had a stable and dedicated unit to manage cash-based transfers; identify transactional anomalies; and monitor relevant functional units' compliance with standard operating procedures and guidelines.

¹ [Jordan Country Strategic Plan 2010-2022](#)

² Strategic Outcome 1 focuses on WFP's commitment to meet food security and nutrition needs by assisting refugees in the community with unconditional cash transfers; providing refugees in camps with food assistance; and supporting the Government in enhancing its emergency preparedness and response systems.

³ Under Strategic Outcome 2, WFP is committed to protecting people in need through supporting the Government to reform and expand social protection schemes while also supporting the education of school children.



8. The country office has been proactive in consulting and requesting support from the Regional Bureau for the Middle East, Northern Africa and Eastern Europe⁴ and headquarters. Over the last two years, the country office has received multiple oversight and support missions covering various functional areas and processes. In 2021, the country office volunteered to pilot and developed its first strategic workforce plan to understand the workforce capacity and capability required to support the shifts foreseen in the next Country Strategic Plan (2023–2027). The country office also carried out a fraud risk assessment, which resulted in higher-rated risks being reflected in the country risk register and systematically tracked.

9. Key controls related to beneficiary management, cash-based transfers, supply chain and finance were generally established and functioning. The issues noted related mainly to specific aspects to further strengthen risk management activities, and coordination needed in preparation for the upcoming contract cycle of financial service providers.

10. Controls in programme monitoring were generally established and functioning. The technical reporting line of field office monitoring staff needs to be reassessed to increase coordination of monitoring activities; establish proper oversight of process monitoring findings and associated actions; and strengthen internal monitoring capacity. There are also opportunities to define the roles and responsibilities of functional units jointly working on commodity price monitoring activities and link price monitoring results with the country office's communication objectives.

11. The country office needs to consider additional costs to beneficiaries in availing WFP assistance in the context of current transfer values. Further enhancements of existing complaint and feedback channels would not only benefit beneficiaries but would also help WFP in adapting programme arrangements. A disposal plan is needed to manage unused non-food items stored at a rented warehouse. The country office also needs to refine specific aspects of cooperating partner selection and the expenditure reporting process.

Actions agreed

12. The audit report contains four medium-priority observations. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates.

THANK YOU!

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

⁴ Previously Regional Bureau for the Middle East and Northern Africa - a circular was issued in April 2022 to advise the revised name for the Regional Bureau located in Cairo.

II. Country context and audit scope

Jordan

14. Jordan is an upper-middle-income country, with a population of 11 million, 74 percent of whom are below the age of 30. Jordan is also a resource-poor, food-deficit country with dwindling energy and water resources and limited agricultural land.⁵ It carries the social, economic and environmental burden of hosting around 673,000 Syrian refugees and 87,000 refugees of other nationalities registered with the United Nations High Commissioner for Refugees (UNHCR). Around 83 percent of refugees live in cities, while 17 percent live in the Za'atari and Azraq refugee camps.⁶

15. While Jordan is considered a food-secure country with a score of 8.8 on the 2020 Global Hunger Index, food security is challenged by a multitude of structural and political factors, such as high poverty rates, unemployment, slow economic growth and the increased cost of living, with marked disparities between regions and population groups. While Jordan's National Aid Fund has scaled up its coverage of vulnerable Jordanians in response to the COVID-19 pandemic, social safety net coverage remains limited.

WFP operations in Jordan

16. WFP has been a strategic and operational partner of the Government of Jordan since 1964, assisting vulnerable and food insecure Jordanians and supporting national management of the refugee crisis and its consequences. WFP's operations have been innovative; they have relied on new technologies and have contributed to the national economy. Jordan was the first country where WFP used innovative blockchain technology to support its cash transfers to Syrian refugees.

17. The Country's Strategic Plan (CSP) 2020–2022, with four strategic outcomes, has begun to rebalance WFP's portfolio towards Jordan itself as the country faces increasing challenges. Upstream work is being prioritized to strengthen national capacity to deliver transformative results for residents of Jordan bypassed by economic opportunities. The CSP is aligned with the Government's priorities and will contribute to the achievement of the UN Sustainable Development Framework for Jordan (2018–2022).

18. The first two CSP Strategic Outcomes (see paragraph 22 for details) represented 95 percent of the Country Portfolio Budget's cumulative actual expenditure (2019 to the end of January 2022⁷). Jordan's CSP for 2022 is expected to be funded at 89 percent. With increasing needs and decreasing funding due to the impact of the COVID-19 pandemic on vulnerable refugee and Jordanian households as well as donor countries, WFP is advocating for funds to support one million vulnerable people in 2022. Overall, WFP is prioritizing crisis-response activities over resilience building but recognizes the challenge in raising the necessary crisis-response funding.⁸

19. WFP has used cash-based transfer (CBT) assistance and in-kind food assistance to deliver food assistance in Jordan. Beneficiaries in host communities received prepaid debit cards for cash withdrawals and/or to purchase food items in WFP contracted shops. Camp residents benefitted from food-restricted electronic vouchers operated via blockchain technology/iris scanning. WFP distributed welcome meals and in-kind rations for camp residents in quarantine due to COVID-19.

⁵ WFP Jordan Country Brief. December 2021.

⁶ <https://www.wfp.org/countries/jordan>

⁷ Country Portfolio Budget Plan vs. Actuals Reports, Funds Management: <https://irm.analytics.wfp.org/category/funds-management>

⁸ While the country office was eventually well-funded in 2021, funding levels fluctuated significantly during the year. Funding shortfalls forced WFP to stop monthly food assistance to over 21,000 refugees as of July 2021. Timely funding from some major donors averted further anticipated assistance cuts later in the year.

Objective and scope of the audit

20. 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 Jordan. 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.

21. The Office of Internal Audit has developed a country office audit approach focusing on five areas of the end-to-end country office delivery process. In this audit, the five functional areas of focus were as follows:



22. The audit focused on activities under Strategic Outcome 1 and 2, representing 82 percent of CSP requirements and 95 percent of country office expenditure in 2021:

- *Strategic Outcome 1: Crisis-affected populations in Jordan, including refugees, meet their food and nutrition needs throughout the year.*
- *Strategic Outcome 2: Vulnerable populations in Jordan, including children, are covered by adequate social protection schemes by 2022.*

23. The Office of Internal Audit supplemented this predetermined scope with a risk assessment to identify any additional processes that should be in scope for the audit. Based on this assessment, a tailored review of cooperating partner management was also included.

24. The Office of Internal Audit tested essential controls for each of the five predetermined areas in scope. The essential controls built on existing procedures and manuals and, where appropriate, were discussed and validated with respective business units. Minimum controls, as defined by WFP's Management Assurance Project at the end of 2020, were considered and included where relevant. Reliance was placed on second-line assurance work in the area of finance to minimize duplication of efforts.

25. The audit mission took place from 13 February to 3 March 2022 at the country office in Amman and included visits to the Za'atari and Azraq refugee camps. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

III. Results of the audit

Audit work and conclusions

26. The four observations arising from the audit are presented below. They are grouped into sections corresponding to the five functional areas covered by the audit, plus a section related to cooperating partner management, as previously mentioned in paragraph 21 and paragraph 23 respectively.

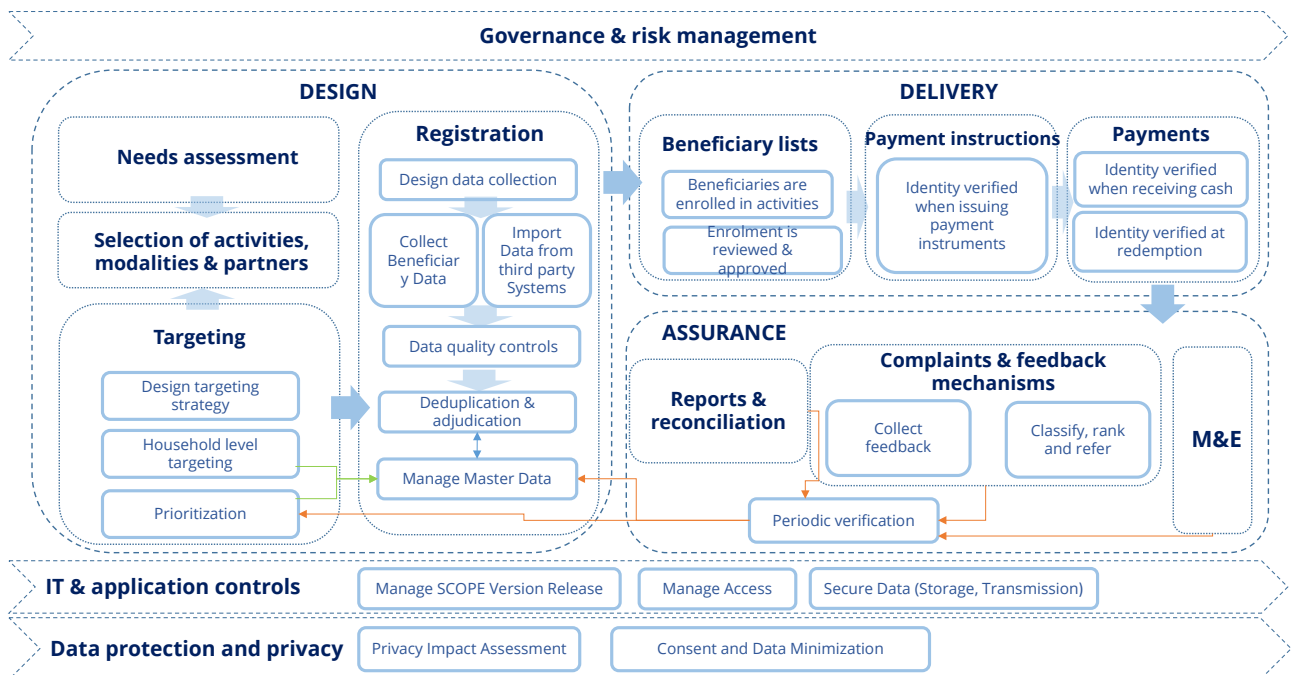
27. For each of the five functional areas, a simplified standard process diagram is included to indicate the key control areas reviewed by the audit and, when exceptions or weaknesses were noted, the audit observations to which they relate and their respective priority rating (red for high-priority and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

Beneficiary management

28. During the audit period, the country office continued to work with UNHCR to ensure the successful implementation of WFP’s targeting and prioritization model, in addition to regular coordination related to the provision of unconditional resource transfers to refugees. The country office leveraged technology to increase accountability by linking WFP’s beneficiary verification with UNHCR-collected biometrics. This included an annual beneficiary verification using biometrically-enabled cameras installed at post offices in communities and at the helpdesks managed by cooperating partners. In the camps, beneficiary identities were authenticated monthly through iris scans when shopping at the WFP-contracted shops. Thanks to an integrated ticketing system for beneficiary complaints and feedback, the country office was able to close 96 percent of tickets created on the spot through real-time access to information in the country office beneficiary and transfer database.

29. The controls tested in relation to beneficiary management are illustrated in the process diagram below. Controls tested were found to be working effectively.

30. A reportable finding related to complaints and feedback mechanisms is raised in Observation 2 under the Monitoring section.

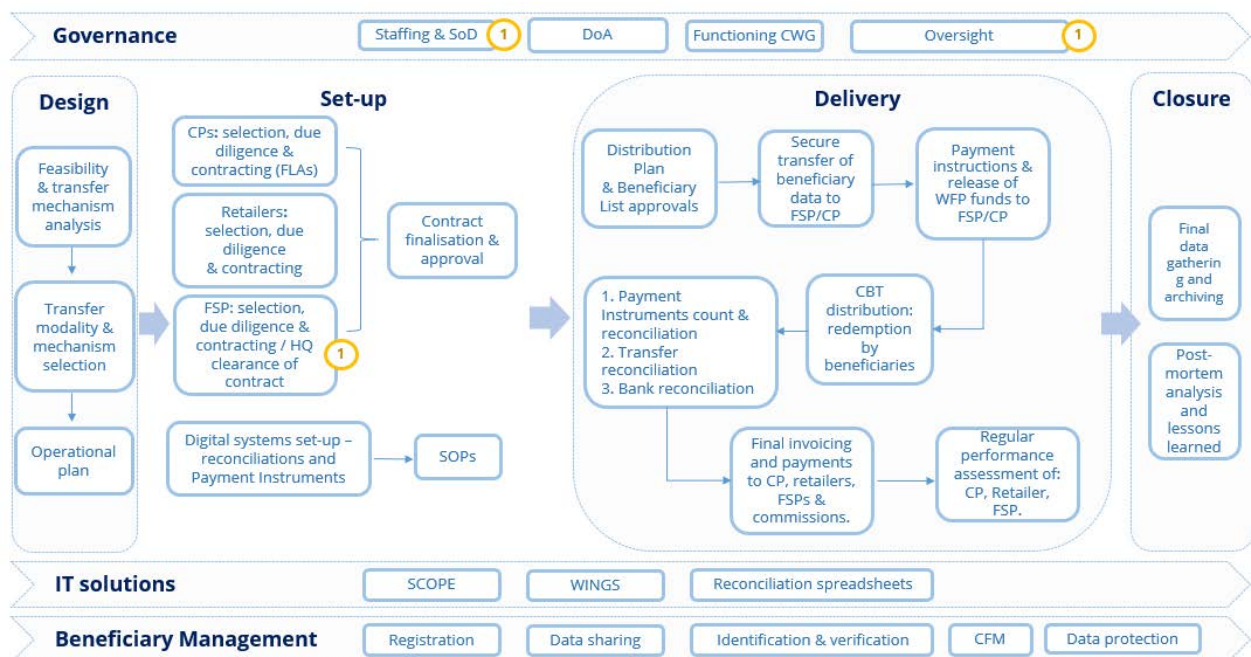


Cash-Based Transfers

31. WFP Jordan mainly used two CBT modalities for delivering food assistance: (i) refugees living in communities⁹ received WFP-owned electronic prepaid debit cards redeemable at 169 contracted retailers and/or for cash withdrawals at automated teller machines (ATM); and (ii) refugees in camps received food-restricted electronic vouchers redeemed at contracted supermarkets and bread points operated via iris scanning and blockchain technology. The country office was piloting the use of mobile money to enhance financial inclusion of beneficiaries.

32. Data from different transfer modalities were consolidated in a Triangulation Database, a web-based tool developed by the country office providing analytic monitoring and oversight of CBT operations, including transfer reconciliation; monitoring of payment instruments; analysis of beneficiary feedback mechanisms; and retailer performance. As agreed with the Technology Division (Information Security Branch), the country office should discontinue the use of its Triangulation Database and migrate to the new corporate tools, including the Data Assurance tool by the end of 2022.

33. The audit focused on the CBT set-up in place, including a limited review of the design of the mobile money pilot. The audit placed reliance on the results of the internal audit of SCOPE¹⁰ as the country was using the corporate platform for transfer management, without notable customization.



Observation 1: Cash-Based Transfers, governance and contracting

Oversight of Cash-Based Transfer operations

34. The Risk Management and Oversight Committee's terms of reference combined the country office's management oversight activities with the scope of the Risk Management Committee's activities as agreed with the Regional Bureau for the Middle East, Northern Africa and Eastern Europe. The Risk Management and Oversight Committee met monthly to discuss key operational issues/updates and every quarter to discuss risk management.

⁹ As of December 2021, refugees in host communities represented 75 percent of total CBT beneficiaries, while refugees in camps represented the remaining 25 percent.

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

35. The Risk Management and Oversight Committee focal point, which at the time of the audit was the Head of Support Services, played a key role in the functioning of the committee. The focal point performed a range of administrative activities from planning and preparation of the meetings to coordination and following up of agreed actions. Given the size of the operation, the country office may consider a risk focal point to support and better manage the workload of senior staff and ensure that all risk management discussions are appropriately documented and monitored. In addition, the country office could enhance monitoring of risks and associated mitigating actions identified by audit, evaluation and other oversight missions.

36. The audit noted that the monthly Risk Management and Oversight Committee meetings discussed various topics related to CBT operations including issues, reconciliation anomalies and other initiatives, which were identified and followed up by the CBT unit. Follow-up on these anomalies should be undertaken by another unit to enhance segregation of duties. There was also an opportunity to fine-tune the committee's terms of reference to avoid duplication with the activities undertaken by the CBT working group.

Risk management

37. The 2021 country office risk review process identified and assessed key risks in line with corporate guidance.¹¹ Comparing the 2021 risk register year-end review with that of mid-year 2021, the number of items listed decreased from 29 to 20 showing an increased focus on material risks. In 2021, the country office also carried out a fraud risk assessment and at the time of the audit fieldwork was finalizing its privacy impact assessment. These assessments should inform the 2022 risk register mid-year review.

38. The audit sample tested implementation of mitigation actions and noted that risk owners appropriately followed up actions. Management discussion of risks was not comprehensively documented and there was no central repository for meeting minutes and evidence of implementation of actions. At the time of audit fieldwork, both the Deputy Country Director and the Head of Support Services were appointed as country office risk focal points; a primary focal person was not identified.

Financial service provider contract management

39. After a competitive tendering process in 2017, the country office contracted the current financial service provider (FSP) as the service provider for the CBT programme, using electronic prepaid debit cards redeemable at contracted retailers and ATMs. The contract duration was for three years with a possibility to extend up to two further years; the contract was extended up to October 2022.

40. Under standard procurement guidelines, the country office must complete a new competitive tendering process for CBT financial services before the FSP contract expires. If the current FSP is replaced by a new provider at the end of the process, existing arrangements¹² supporting CBT operations will have to be re-established by the new FSP in coordination with the country office. This will entail project implementation costs and other investments. Potential operational and financial issues arising from the upcoming contract update (for example, delays in the lead time to set up a new contract, additional costs, etc.) will have to be anticipated and managed.

41. To facilitate beneficiaries' access to cash, the country office introduced mobile money as a CBT modality. This initiative started as a pilot for WFP's beneficiaries under resilience activities, providing economic empowerment and enhancing financial inclusion. The country office is expecting to expand the use of this modality to support unconditional resource transfers. The country office needs to evaluate the benefits, associated costs, transition period and other key considerations of this plan in the context of the required competitive tender for the FSP contract.

¹¹ 2018 Enterprise Risk Management Policy

¹² Such as the set-up to print and distribute customized debit cards to beneficiaries, system customization to allow for integration between WFP systems and the FSP platform, etc.



Underlying cause(s): Time and capacity constraints are limiting the efficiency and sustainability of the risk management process; the FSP contract cycle is expiring while there is a planned change in the CBT delivery mechanism, which is dependent on the success of an ongoing pilot project.

Agreed Actions [Medium priority]

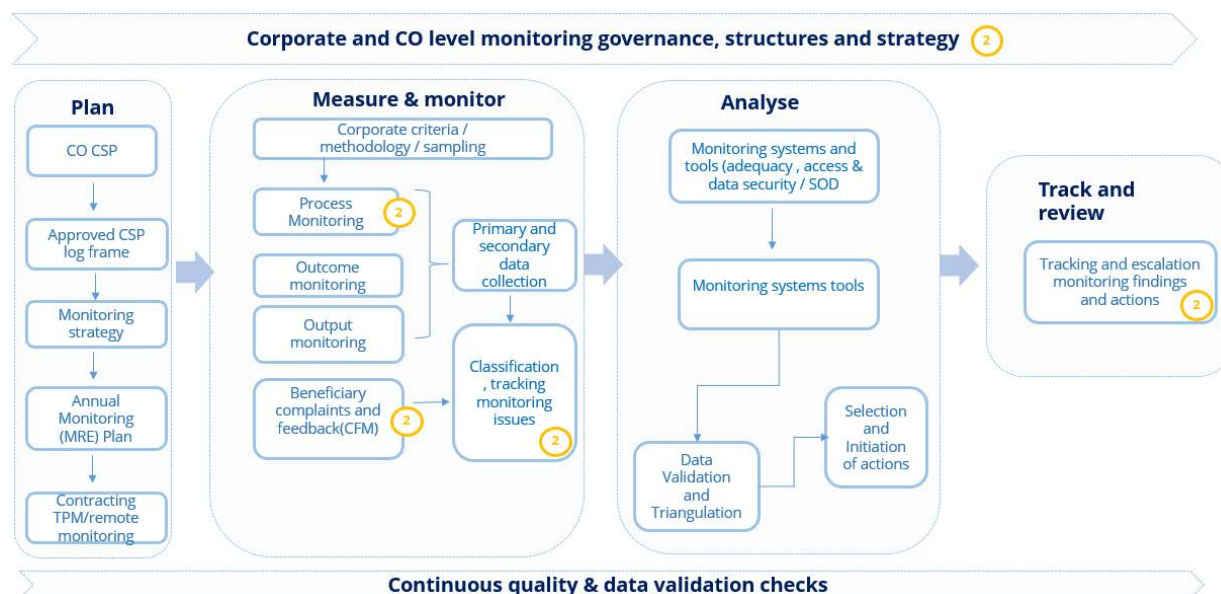
The country office will:

- i) Delegate identification of Cash-Based Transfer reconciliation anomalies to a separate function.
- ii) Appoint a primary risk focal point and an alternate.
- iii) Assess the workload of the Risk Management and Oversight Committee focal point and primary risk focal point and consider creating a dedicated support to further enhance the risk management process.
- iv) Carry out a cost-benefit analysis to inform whether the country office will undergo a competitive tender to choose a financial service provider or seek headquarters' approval for a waiver to extend the existing contract.
- v) Establish a project timeline to consider key milestones related to renewal of the financial service contract, as well as the transition to the new Cash-Based Transfer delivery mechanism.

Timeline for implementation

31 December 2022

Monitoring



Observation 2: Monitoring structure, commodity price monitoring and other activities

Technical reporting line of field office monitoring staff

42. Field monitoring staff¹³ did not have a technical reporting line¹⁴ to the country office's Monitoring and Evaluation (M&E) unit. This resulted in limited visibility and coordination of monitoring activities. The unit did not have full access to and oversight of process monitoring findings and related actions as these were tracked manually by field monitoring staff.

43. The WFP Jordan Process Monitoring Logbook¹⁵ was established in 2018 to ensure that monitoring activities and findings are documented, escalated if needed, and followed up. At the time of the audit fieldwork, the online logbook was no longer in use by field monitoring staff due to a recommendation from headquarters owing to technical challenges associated with the Triangulation Database – an Excel spreadsheet (the same file that the M&E unit had limited access to) was being used instead. The M&E unit was working to digitalize this process as part of the country office's migration to its new Data Assurance tool.

Price monitoring activities

44. Commodity price monitoring activities gained prominence in 2021 due to funding issues, the sharp increase in commodity prices, and complaints from beneficiaries. In October 2021, the M&E unit began issuing economic and price bulletins (including price monitoring reports in camps) to generate data and inform programmatic decisions.

¹³ There were 16 monitoring assistants in the Amman and Mafrq field offices reporting to the Programme Policy Officer and the Head of Field Operations.

¹⁴ A technical reporting line would also reinforce the M&E unit's internal capacity strengthening which is one of its thematic focus areas under the current M&E strategy – it aims to build capacity, especially of field monitors given their unique position within the country office's overall M&E systems.

¹⁵ A module of the country office's Triangulation Database. Data from the online logbook also provided the inputs for an interactive visualization function, linking monitoring activities and findings to a tableau-based map.

45. At the time of the audit fieldwork, as one of the country office's priorities, the M&E and Supply Chain units were working together to assist the country office in better understanding price behaviour in WFP-contracted shops. The audit noted opportunities to: (i) clearly define the roles and expectations of both units, considering the differences in their price monitoring methodology; (ii) link price monitoring results with the country office's communication objectives by identifying the type of audience and related key messages, as well as by simplifying the presentation of data analyses; and (iii) share results with price monitors and beneficiaries, enhancing communication outreach of WFP's efforts in this area.

Review of minimum expenditure basket and additional costs to beneficiaries

46. The country office hotline was not toll-free, and beneficiaries were charged for each call they made. In addition, beneficiaries were charged cash withdrawal fees at machines not owned by the FSP.¹⁶ Therefore, there was an opportunity to assess the implications of these hidden costs in the context of whether WFP's transfer values were still sufficient.

47. The country office carried out a preliminary and limited review of the minimum expenditure basket and transfer value in 2021. One of the considerations highlighted in the review was the need for a comprehensive minimum expenditure basket survey. This survey, planned by the country office in the second half of 2022, should consider additional costs to beneficiaries in availing WFP's assistance and should be informed by UNHCR's data related to its Vulnerability Analysis Framework.

Beneficiary complaints and feedback mechanism

48. In reviewing the channels (and associated costs) for beneficiaries to lodge complaints and feedback, the audit noted the limited visibility of social media as one of the channels available at no (additional) cost for the beneficiaries to submit complaints and feedback to WFP.

49. The cooperating partner operating multiple helpdesks in two refugee camps did not have access to the country office integrated ticketing system for beneficiary complaints and feedback. Therefore, the cooperating partner did not have a real-time view of beneficiary profiles to immediately respond to simple queries/complaints. It also increased the cooperating partner's reporting-related workload. The country office indicated that access to the beneficiary ticketing system was prioritized for cooperating partners operating helpdesks in communities over the sole cooperating partner operating in camps; however, providing access to this cooperating partner was a priority for 2022.

Underlying cause(s): Review of the technical reporting line was not reassessed in 2021, although the country office indicated that a review of its organizational structure was under way to align with the requirements of the upcoming CSP; technical challenges were encountered in the use of the online logbook and the country office planned to migrate to a new platform; funding constraints faced by the country office and the need for donor advocacy; price monitoring activities required cross-functional coordination to ensure visibility of the complete picture – upstream and downstream; the increase in commodity prices were driven by multiple factors such as the COVID-19 pandemic and the upcoming removal of the Government's electricity subsidy; the country office did not carry out a comprehensive assessment of hidden costs related to the use of WFP services; and access to the hotline ticketing database was deprioritized for helpdesks in camps.

Agreed Actions [Medium priority]

The country office will:

- (i) Assess the technical reporting line of field office monitoring staff and strengthen the framework for coordination, reporting and knowledge sharing of monitoring-related activities.

¹⁶ Beneficiaries can withdraw from any ATM in Jordan operated by the FSP (and connected directly to the FSP banking network) for free up to a maximum of two withdrawals. Fees were charged if withdrawals were made by machines not owned by the FSP.

- (ii) Ensure the Monitoring and Evaluation unit's full access to process monitoring findings and related actions for proper oversight, reporting and escalation.
- (iii) Define roles, responsibilities and expectations for the units involved in price monitoring activities (Monitoring and Evaluation, Supply Chain and Communication).
- (iv) Estimate hidden costs to beneficiaries and assess their impact on WFP's transfer values.
- (v) Evaluate the need to carry out a comprehensive minimum expenditure basket review and assess the value it will add to existing country office initiatives.
- (vi) Enhance complaints and feedback mechanism channels through increased use of social media.
- (vii) Provide the cooperating partner operating helpdesks in camps with access to the beneficiary ticketing system.

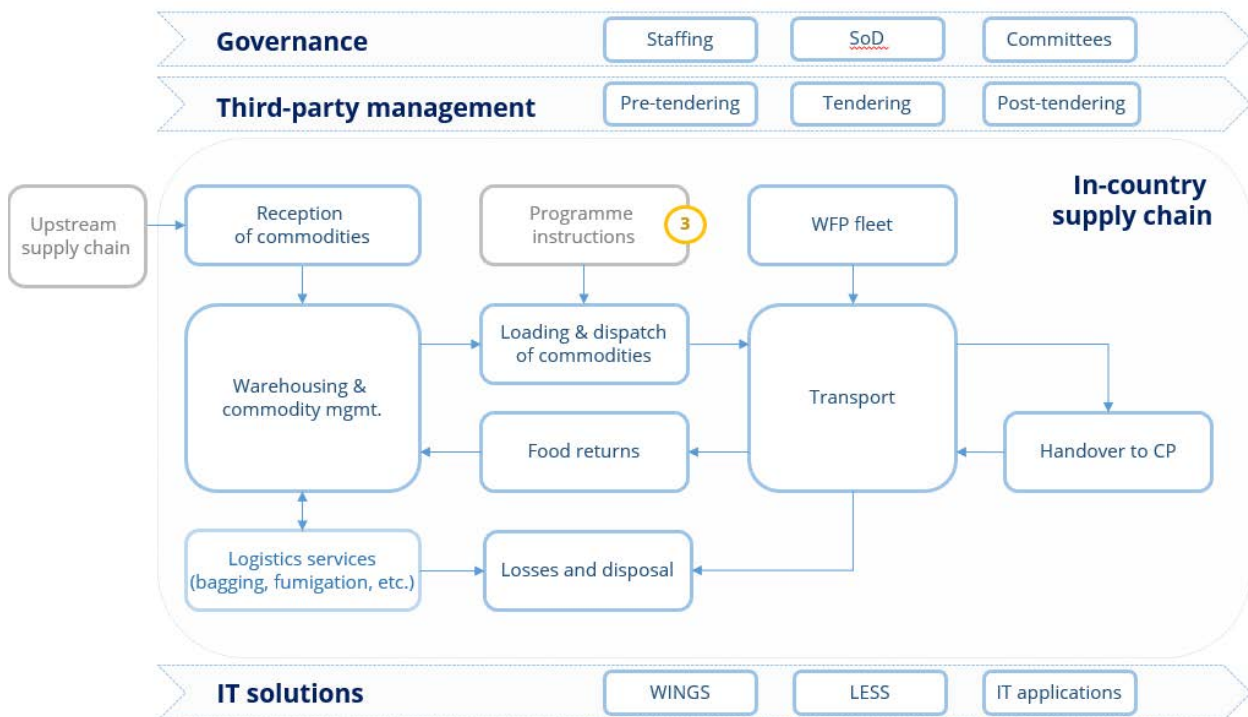
Timeline for implementation

31 December 2022

Supply Chain

50. Considering the limited amount of in-kind assistance provided by the country office, the audit only verified selected controls mitigating key inherent risks related to the selection and contracting of goods and programme service providers, and food safety and quality from sourcing to distribution of processed food.

51. Tested controls were generally implemented and functioning well, with one exception as indicated in the diagram below and described in Observation 3.



Observation 3: Procurement, storage and distribution of non-food items

52. The country office leased two warehouses¹⁷ in a government-owned facility in Amman and was incurring monthly costs for storing unused kitchen equipment, which it had acquired five years ago.¹⁸

53. The country office procured the healthy kitchen equipment in 2017 for a total cost of Jordanian Dinar (JOD) 950,000 (around USD 1.3 million) funded by a donor supporting the school feeding programme. At the time of the audit fieldwork, a large portion of this equipment had not been distributed and, given that the country office had changed its school feeding model, would not be used under the new programme set-up.

54. Based on the country office's inventory assessment of January 2022, the market value of the equipment was JOD 478,000, of which 48 percent (JOD 230,000) related to items that would not be used under the new school feeding model. At the time of the audit fieldwork, the country office had explored possible options but had not planned to distribute or dispose of the items, which would require discussion with the relevant donor.

¹⁷ One, with an area of 1,440 square meters and a monthly rent of JOD 2,700, was used for storing date bars. The second warehouse, with an area of 2,700 square meters and a monthly rent of JOD 5,400, was mainly storing kitchen equipment such as ovens and refrigerators.

¹⁸ From 2014-2015 to 2020, WFP implemented the Healthy Kitchen pilot project through productive kitchens set up in community-based organizations.

Underlying cause(s): Changes in programme design and absence of discussions on new arrangements with the donor.

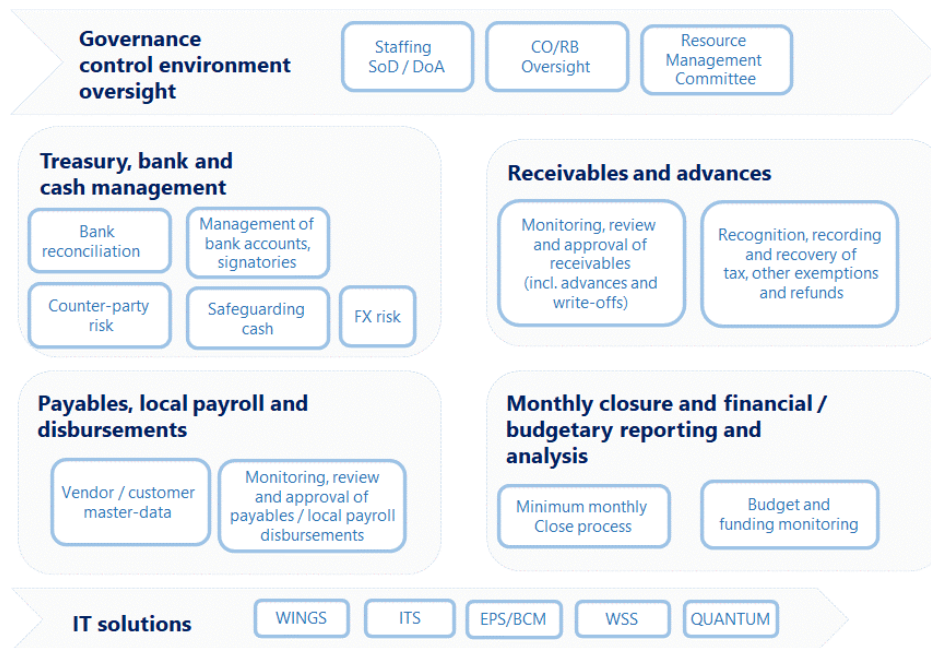
Agreed Actions [Medium priority]

The country office will engage with the donor to discuss the changes in programme design and explore mutually acceptable arrangements and a timeline for the distribution/disposal of non-food items.

Timeline for implementation

28 February 2023

Finance



55. The finance controls illustrated in the schematic diagram above were mainly covered via linkages to other areas (procurement, management of cooperating partners and CBT) and via follow-up and validation of implementation of the observations made by the Regional Bureau’s oversight and simplification missions.

56. The audit also covered budgetary control and resource management. In general, controls were found to be established and functioning with resource management processes effectively managed. No reportable findings arose from the audit.

Management of cooperating partners

Observation 4: Selection and management of cooperating partners

Selection of cooperating partners

57. In May 2021, the country office updated its standard operating procedures on Programme Partnership and Field Level Agreement management, and on payments to cooperating partners and financial tracking. The standard operating procedures were in line with the corporate Non-Governmental Organization Partnership Guidance and were informed by lessons from country office practices from 2019 to 2021.

58. The country office launched a call for proposals through the UN Partner Portal in the last week of October 2021 to select new partners for its general food assistance to refugees (in camps and host communities) to start in 2022. Considering the required steps and activities involved in the selection process, a timeline of two months was tight and did not allow any room for unforeseen delays and other priorities to complete the end-to-end process. The selection of cooperating partners was finalized in mid-December 2021 with limited time to mobilize, transition and implement the new contract which started on 1 January 2022.

59. The 2022 Field Level Agreements signed with cooperating partners implementing food assistance are effective only for six months. A longer agreement term could have been considered given the continuing nature of the activity and the comprehensive and competitive process which mostly selected partners that the country office had worked with effectively in previous years. A longer Field Level Agreement period would also allow cooperating partners to adequately invest in project requirements.

Review of cooperating partners' expenditure report

60. The country office's process for paying cooperating partners' invoices was onerous, requiring the cooperating partners to submit monthly expense reports together with all detailed supporting documentation (such as scanned receipts, cost breakdown, etc.). The country office Programme unit's review of these monthly reports and documents was more detailed than that set out in the standard operating procedures. This led to inefficiencies as the review did not consider other compensating controls in place, such as spot checks and financial desk reviews.

61. The country office's checklist for cooperating partner spot checks and reporting did not include guidance on how to prioritize and sample expense for review. There is an opportunity to clearly articulate which expenses are material to a project and should be the focus of the monthly reviews compared to the spot checks and financial desk reviews. The review approach and coverage should be complementary for increased efficient assurance.

Underlying cause(s): The country office had lengthy internal deliberation process for selection of cooperating partners; relevant units involved faced competing priorities during the selection process; results of cooperating partners' financial capacity assessments did not determine the extent of their financial reporting requirements; not all country office staff were aware of the revisions made to the updated standard operating procedures on cooperating partner and Field Level Agreement management.

Agreed Actions [Medium priority]

The country office will:

- i) Review and enforce a timeline for the selection of cooperating partners for the next Field Level Agreement cycle and ensure adequate mobilization of resources.
- ii) Establish a framework to: (a) categorize partners based on the results of their financial capacity assessment as the basis to determine the level of supporting documentation to be submitted; and (b) establish prioritization and sampling criteria to guide consistent financial spot checks of cooperating partner expenditures.

- iii) Increase awareness of the new standard operating procedures on cooperating partner management and Field Level Agreements within the country office.

Timeline for implementation

31 December 2022

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 country office level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	CBT governance and contracting	CBT, Risk management, Procurement	Country office	Medium	31 December 2022
2	Monitoring structure, commodity price monitoring and other activities	Monitoring, Supply Chain, Programme	Country office	Medium	31 December 2022
3	Procurement, storage and distribution of non-food items	Supply Chain	Country office	Medium	28 February 2023
4	Selection and management of cooperating partners	Cooperating partner management, Programme, Finance	Country office	Medium	31 December 2022

Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, 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.
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.
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.¹⁹

¹⁹ 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.

The Office of Internal Audit monitors agreed actions from the date of the issuance of the report with regular reporting to senior management, the Independent Oversight Advisory 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, the Office of Internal Audit 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, the Office of Internal Audit 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. The Office of Internal Audit informs senior management, the Independent Oversight Advisory Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.

Annex C – Acronyms

ATM	Automated Teller Machine
CBT	Cash-Based Transfers
CSP	Country Strategic Plan
FSP	Financial Service Provider
JOD	Jordanian Dinar
M&E	Monitoring and Evaluation
SCOPE	WFP's beneficiary information and transfer management platform
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar
WFP	World Food Programme