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Internal Audit of WFP Operations in Haiti

Office of the Inspector General
Internal Audit Report AR/22/12

August 2022





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I. Executive Summary

WFP Haiti Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Haiti that focused on beneficiary management, cash-based transfers, monitoring, supply chain and finance, and a tailored review of the management of humanitarian access. The audit covered the period from 1 January to 31 December 2021.
2. In its Country Strategic Plan for 2019-2023,¹ WFP Haiti adopted an integrated approach along the humanitarian-development nexus, delivering direct assistance to crisis-affected and vulnerable people, strengthening smallholders' access to markets and building their resilience, and supporting national institutions and partners to achieve the country's 2030 Agenda.
3. Since its inception in 2019, the Country Strategic Plan has been regularly revised to reflect increasing needs due to the deteriorating food security situation in Haiti. The situation continued to worsen in 2021, and successive budget revisions have expanded food assistance to shock-affected populations. The budget of the original Haiti Country Strategic Plan has more than doubled, from USD 199 million to USD 469 million, and planned beneficiary numbers have increased from 1.47 to 2.88 million.
4. Expenditure pertaining to the Country Strategic Plan for the audit period amounted to USD 92 million. The audit focused on programme implementation under Strategic Outcomes 1, 2 and 5 of the Plan, which accounted for 79 percent of the expenditure in the audit period.

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 **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.
6. The audit period was marked by a severe deterioration of the political, economic, and security context in Haiti. Despite significant challenges, the country office managed to scale up threefold its assistance to vulnerable populations, reaching 1.3 million beneficiaries in 2021. Half of these were reached through USD 35 million of cash-based transfers, and the remainder via 14,000 metric tonnes of food distributions.
7. The country office had a robust targeting strategy, yet processes were mostly delegated to cooperating partners with limited independent checks to confirm selected beneficiaries were eligible for assistance. The risk of exclusion and inclusion errors going undetected was high, and vulnerable populations remained largely unaware of complaints and feedback mechanisms available despite improvements over the audit period. Monitoring activities could generate more systemic evidence by defining coverage targets and structuring the analysis of monitoring issues.
8. Ninety-five percent of cash-based transfers were delivered through cash-in-envelopes. The country office had worked on expanding delivery modalities and financial service providers in a constrained environment leading to a variety in process designs. This resulted in complex implementation and misaligned controls. Risk mitigation actions identified during initial assessments could not be met by financial service providers, and the corporate platform for transfer management did not substantially strengthen delivery controls due to many manual steps.

¹ WFP Haiti [Country Strategic Plan](#) (2019 – 2023)



9. Cash-based transfer reconciliations were paper-based and performed at distribution sites by various stakeholders. Reconciliation of advances to financial service providers had been delayed by several months, increasing WFP's financial exposure. More globally, delays to account for expenses presented risks of non-compliance with accounting standards.

10. In 2021, 90 percent of food purchased was procured regionally. Due to long transit times, port congestion and meteorological conditions, 16 percent was declared infested upon reception and had to be fumigated before distribution to beneficiaries. Governance and processes over food incident management need improvement to ensure food quality and safety risks are adequately mitigated.

11. Restricted access by road to the south of Haiti posed significant challenges for the August 2021 earthquake response, yet the country office managed to set up alternative routes by sea, and expanded warehousing capacity, albeit increasing supply chain costs. In order to remain cost-efficient and operationally flexible, the country office outsourced several logistics processes to its partners; this was the case for local food procurement, transport activities, and small-scale retail operations for which WFP's control framework was de facto not applied and risk mitigation measures insufficiently documented.

12. Overall, consistent leadership and management oversight was required to define a strategic direction for delivery modalities informed by sectorial assessments; to establish required controls or strengthen existing ones; and to follow through on their implementation and generate evidence-based feedback, oversight and monitoring information.

13. The limited knowledge of WFP control systems of some newly recruited heads of units and activity managers contributed to a weakened control environment. Significant risks known to management were addressed late and specific areas of risks had been overlooked, which could lead to substantial losses or reputational damage.

Actions agreed

14. The audit report contains six high and two 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!

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



II. Country context and audit scope

Haiti

16. In 2021, with a score of 0.51, Haiti ranked 170th of 189 countries on the Human Development Index. Haiti is also among the most unequal countries in the world when education, income and health factors are taken into account.

17. Haiti was plunged in an acute political and institutional crisis with the assassination of its President in July 2021 and a still forthcoming electoral calendar. Gang violence has impacted the socio-economic lives of many Haitians while severely constraining access to the south of the country since May 2021.

18. On 14 August 2021, the southern peninsula of Haiti was hit by a 7.2 magnitude earthquake. More than 650,000 people were severely affected, including over 2,200 deaths, 12,200 people injured, and 130,000 houses severely damaged or destroyed.²

19. According to the Integrated Food Security Phase Classification (IPC),³ 44 percent of the Haitian population were expected to face emergency levels (IPC phase 4) or crisis levels (IPC phase 3) of food insecurity between September 2021 and February 2022, a marked increase since 2018. This is accounted for by the impact of COVID-19, protracted socioeconomic and political turmoil since September 2019, and successive below-average harvests.

WFP operations in Haiti

20. WFP's 2019-2023 Country Strategic Plan (CSP) for Haiti adopts an integrated approach along the humanitarian–development nexus, delivering direct assistance to crisis-affected and chronically vulnerable people (strategic outcomes 1 and 2); strengthening smallholders' access to institutional markets and building their medium-term resilience and ability to mitigate, adapt, and recover from shocks as well as manage climate related risks (strategic outcomes 3 and 4); and supporting national institutions and partners in their work to achieve the goals of the 2030 Agenda for Sustainable Development (strategic outcomes 5 and 6).

21. Several budget revisions have increased the five-year needs-based budget from USD 199 to USD 469 million. The implementation plan for 2021 was USD 110 million, funded at 77 percent, and expenditures in 2021 reached USD 92 million. In September 2021, WFP activated a level 2 emergency response⁴ following a 7.2-magnitude earthquake in south-western Haiti on 14 August 2021.

22. The country office reached 1.3 million beneficiaries in 2021,⁵ of whom half were supported through USD 35 million of cash-based transfers (CBT) and the remaining with 14,000 metric tonnes of food distributed.

Objective and scope of the audit

23. 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 Haiti. 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 between 14 February and

² OCHA Flash Appeal for the August 2021 earthquake, https://reliefweb.int/sites/reliefweb.int/files/resources/20210825_FA_Haiti_EQ_2021_FR.pdf

³ Integrated Food Security Phase Classification, Haiti, <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1155096/>

⁴ WFP revised its Emergency Activation Protocol in January 2022 to adjust to an increasingly complex global operational context. The revised protocol replaces the L1-L3 emergency categories with three new phases. The country offices previously classified as L2 or L3 will remain part of the Corporate Alert System. At the time of the issuance of the report Haiti was in the Early Action and Emergency Response phase.

⁵ As of March 2022, these figures were under validation as part of the 2021 Annual Country Report publication.

5 March 2022, and included a visit to the country office in Port-au-Prince and to the field offices in Cap Haitien and Les Cayes.

24. The Office of Internal Audit developed a country office audit approach for its 2021 workplan, focusing on five areas of the end-to-end delivery process, as detailed in Figure 1.

Figure 1: Areas in audit scope



25. The audit focused on programme implementation under Strategic Outcome 1, 2, and 5 of the CSP, representing 79 percent of the country office total expenditure over the audit period:

- Strategic Outcome 1 – Activity 1: Provide emergency food assistance and support risk reduction and the recovery of crisis-affected populations.
- Strategic Outcome 2 – Activity 3: Provide nutritious meals and complementary sensitization and training in targeted schools relying on centralized procurement of commodities.
- Strategic Outcome 5 – Activity 7: Provide policy support and technical assistance to national stakeholders in the areas of social protection, disaster risk management, fortification and local production.

26. The Office of Internal Audit 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 WFP's Management Assurance Project at the end of 2020 were considered and included when relevant.

27. 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 upon this assessment, a tailored review of the management of humanitarian access was included.

28. Reliance was placed on second line assurance work, where relevant, to minimize duplication of efforts. The Regional Bureau for Latin America and the Caribbean conducted a remote management oversight mission in November 2020 covering the following process areas: programme, supply chain, information and technology, finance and administration, budget management, and human resources.



III. Results of the audit

Audit work and conclusions

29. The eight observations arising from the audit are presented below. Where relevant they are grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 24).

30. 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 country office directly and are not reflected in the report nor indicated in the diagrams.

Cross-cutting issues

Observation 1: Staffing

31. The country office faced similar challenges to those of other WFP operations in attracting qualified personnel, including international professionals as reassignment exercises had not successfully filled all open positions. The absence of adequate staffing to support emergency operations has been raised by the Office of Internal Audit in several audit reports at a corporate level. At the time of finalizing this report, WFP management was working on actions to address the weaknesses identified and implement the corresponding agreed actions, including regarding adequate staffing to support emergency operations.

32. Notwithstanding the context mentioned above, the country office has been gradually increasing its staffing levels since 2020. In the absence of internal international candidates, several heads of units and activity managers were recruited externally. In addition, some experienced national staff left the country due to the successive crises. This resulted in loss of institutional memory and expertise.

Underlying cause(s): Lack of staffing and capacity strategy to support the scale-up of humanitarian activities. Weaknesses in the reassignment process to meet the country office needs. Haiti security context resulting in national staff leaving the country.

Agreed Actions [High priority]

The country office will undertake a staffing review to align organisational structure with corporate standards.

Timeline for implementation

31 December 2022

Observation 2: Management oversight

33. Management oversight was not commensurate to the level of risks to WFP operations in Haiti.

34. The previously mentioned staffing challenges, further to the handover from previous management teams not fully taken into account, resulted in limited expertise remaining to assess the level of risk, and articulate it to senior management, in particular regarding processes highlighted in observations 4 and 5 of this report. Further, some risks known to management were addressed late, such as delayed cash reconciliations detailed in observation 4. Mitigation measures such as investment in corporate applications for beneficiary information and transfer management, and for automated confirmation of food delivery, did



not substantially improve the office control environment. Other areas of risk were handled partially or with delay, including food safety and quality issues and spare parts management.

35. In addition, for cost-efficiency and operational effectiveness, the country office transferred some processes to cooperating partners, albeit without defining and documenting the risk mitigation measures related to relying therefore on the cooperating partners' control framework. This was the case for transport to distribution sites of the emergency response, local food procurement, and small-scale retail operations as indicated in observations 5 and 6.

Underlying cause(s): As the country office scaled up its assistance, the operational context became increasingly challenging due to security and access challenges affecting inherent risks of WFP operations in the country. Recommendations from oversight and support missions had a limited impact on risk management practices due to limited implementation.

Agreed Actions [High priority]

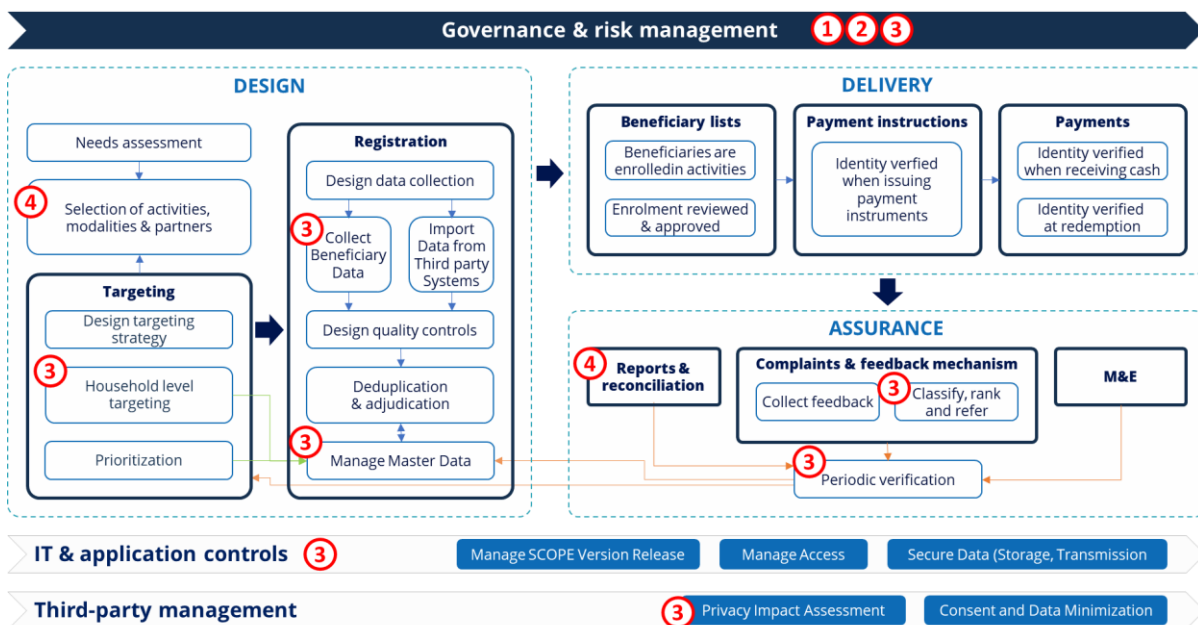
The country office will undertake a skills gap analysis and develop a training plan for all key functions.

Timeline for implementation

30 April 2023

Beneficiary Management

Figure 2: Beneficiary management



Observation 3: Beneficiary management

Management of beneficiary lists

36. The country office had a robust targeting strategy. Results of the targeting process, which was largely delegated to cooperating partners, were not well documented, and verification exercises needed improvement to confirm beneficiaries' eligibility and to ensure that the intended beneficiaries were receiving assistance. The risk of exclusion and inclusion errors being undetected was high. Although not a direct



measurement of inclusion and exclusion errors, post-distribution monitoring of the COVID-19 emergency response showed that surveyed respondents had a perception of high levels of such errors.

37. The audit trail for modifications to beneficiary lists was incomplete, and alternate recipients were added without evidence of the primary beneficiary consent. Beneficiary identification controls for emergency food distributions were performed days before the actual distribution, increasing the risk that food assistance was collected by non-eligible persons at the distribution site.

Accountability towards Affected Populations

38. Several mechanisms were available for beneficiaries to provide feedback, notably through WFP's hotline. The helpline was set up in 2016 with the objective of opening a direct channel of communication with beneficiaries. The country office had proactively enhanced this system with the launch in 2020 of SugarCRM, a Customer Relationship Management (CRM) software (which is WFP's corporate digital tool for managing complaints and feedback), allowing safe storage, accurate management, and detailed analysis of feedback received from users.

39. While showing positive trends, the number of calls received from beneficiaries was limited in comparison to the beneficiary caseload. A survey conducted by the country office revealed that 66 percent of beneficiaries assisted in the COVID-19 emergency response did not know of the hotline.⁶ Raising awareness of existing reporting channels among affected populations needed further efforts to ensure that issues requiring attention were identified and addressed.

40. In addition, beneficiaries could also lodge feedback at helpdesks managed by cooperating partners at distribution sites. However, the country office's internal monthly reports included only the feedback collected through the hotline but not that from helpdesks. This hinders the country office from having a comprehensive overview of all complaints and their trends, and hence from developing the most effective and efficient response. Lastly, the country office finalized in November 2021 a privacy impact assessment,⁷ which highlighted several areas of risk to the privacy of beneficiary information. At the the time of the audit field mission, the country office had yet to define how to address these risks.

Underlying cause(s): The capacity of cooperating partners involved in beneficiary management processes, including sensitization of beneficiaries to complaints channels, were limited despite training efforts by the country office. Contextual factors, such as the use of a wide range of official identity documents, limited the assurance available that each registered beneficiary was unique.

Agreed Actions [High priority]

The country office will:

- i) Expand beneficiary verification mechanisms following corporate guidance.
- ii) Strengthen assessments of cooperating partners and define a capacity-building plan based on gaps identified.
- iii) Reinforce complaints and feedback mechanisms processes to ensure appropriate actions are taken for referral, escalation, resolution and analysis of issues collected through the various sources.
- iv) In coordination with the Regional Bureau for Latin America and the Caribbean, define an action plan to mitigate risks identified by the privacy impact assessment.

Timeline for implementation

31 December 2022

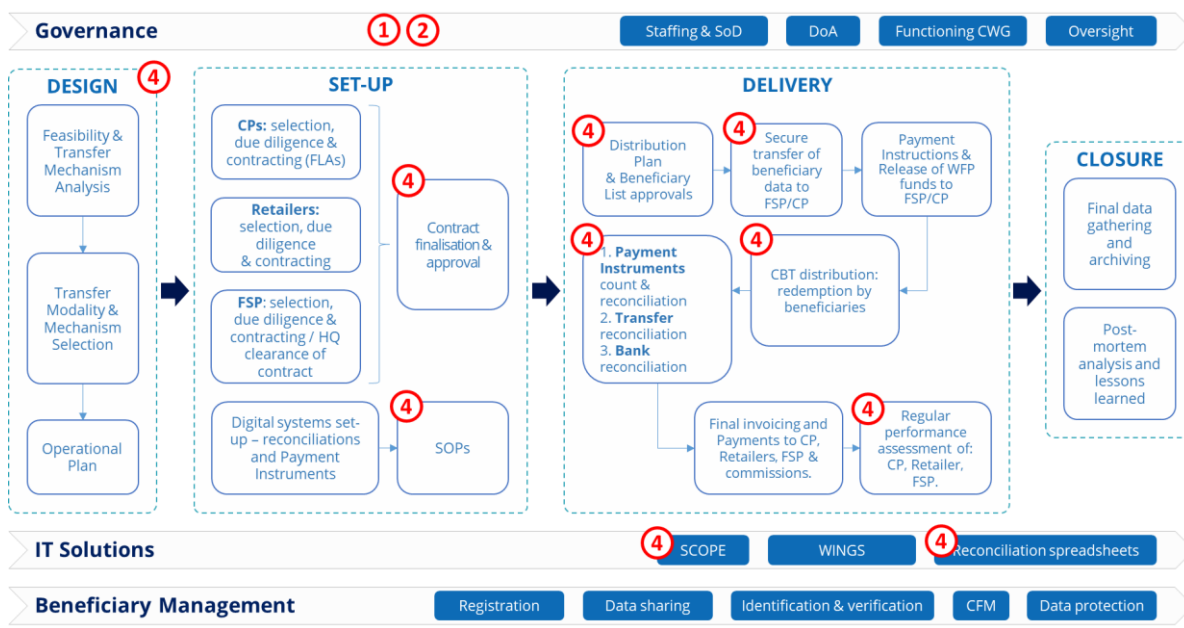
⁶ In the metropolitan area, remote monitoring calls conducted in November 2021 by the country office's monitoring team showed that 97 percent of beneficiaries were not aware of the hotline.

⁷ Privacy impact assessment conducted for the Adaptive Social Protection Project for Increased Resilience (PSARA).



Cash-Based Transfers

Figure 3: Cash-based transfers



Observation 4: Cash-based transfers

41. Since 2019 the country office scaled up cash-based interventions to reach a total transfer value of USD 35 million in 2021, of which cash-in-envelopes accounted for 95 percent. Based on lessons learnt from past emergency responses, the country office had worked on diversifying its delivery mechanisms for cash-based transfers, notably through mobile money and cash through a remittance company.⁸ Efforts to set-up delivery mechanisms with various financial service providers (FSPs)⁹ and cooperating partners to meet increasing needs during the scale-up phase led to a variety of process designs. This resulted in programmatic and supply chain complexity, the sustainability of which the skills-gap analysis and staffing review as highlighted in observation 1 would help reassess.

Counterparty risks

42. Some multi-sectorial assessments were either missing (market functionality review and CBT risk register), incomplete or outdated. The due diligence¹⁰ of FSPs, conducted with support from headquarters units¹¹ and the regional bureau, identified financial and operational risks. These included limited numbers of staff

⁸ A WFP global long term agreement with Western Union allowed the country office to access a network of pre-screened remittance branches.

⁹ The country office had contracted with one bank, three microfinance institutions, and one mobile money provider.

¹⁰ The purpose of the due diligence is to assess the capacity of the FSP to adequately support the country office's CBT operations, identify main weaknesses and risks which might have an adverse impact on WFP operations and provide recommendations to mitigate these risks. The due diligence comprised meetings with FSP's management team and staff via call conference and review of FSPs' financials and relevant internal documentation.

¹¹ The Business Development Cash-Based Transfers Unit (FINB) and the legal unit (LEG) provided some support for the due diligence review of FSPs.



dedicated to WFP operations, lack of liquidity, reporting issues impacting timely reconciliation routines, and digital barriers. Several mitigation measures were recommended.

43. The country office could not implement most of them due to limited staff expertise, nor could it enforce the application of several contractual obligations agreed with FSPs. Contracts with FSPs were extended even though known performance issues could not be addressed, increasing the country office's exposure to a high residual risk level, including the risk of fraud.

Digitalization strategy

44. The country office faced challenges to digitalize its delivery processes.¹² In April 2021, the regional bureau had formulated recommendations for beneficiary and transfer management, which were being implemented for beneficiary management and remained pending for transfer management at the time of the audit fieldwork. The country office needed to simplify its programmatic approach to facilitate the adoption of digital tools, in particular WFP's corporate SCOPE platform.¹³ Attempts to use SCOPE to automatize end-to-end processes from the preparation of payment lists to reconciliations were not successful. The country office received limited assurance from SCOPE functionalities because of the processing of files outside the system during the preparation of the beneficiary and payment lists.

Cash reconciliations

45. A tripartite on-site manual reconciliation was carried out between WFP field monitors, the FSP, and the cooperating partner to ensure payment instructions were executed for the intended beneficiaries. This manual reconciliation process was time-consuming, paper-based and prone to errors. While the cooperating partner and the FSP each had listings signed by beneficiaries, the country office did not obtain copies to review the accuracy of reconciliations performed on-site at the beneficiary level to confirm that benefits reached the intended people.

46. Instead of being conducted at the end of each distribution cycle, the reconciliation of advances to FSPs for cash transferred to beneficiaries (USD 35 million over the audit period) was delayed by several months. In the first half of 2022, the country office worked on clearing the 31 December 2021 balance.

Underlying cause(s): Prioritization of the emergency response and imperative to deliver assistance limited the ability to address and mitigate risks. Technical support provided by the regional bureau and headquarters could not be fully followed through due to capacity gaps in the country office. There was an overall lack of knowledge of expected controls related to CBT operations and some local standard operating procedures were either outdated or missing. Internal cash working group decisions were not documented, limiting the understanding of some decisions and how risks were considered.

¹² Previous attempts to use mobile money identified various constraints to use this modality in emergency setups, including regulatory issues, lack of beneficiary financial literacy, and liquidity issues. A feasibility assessment for switching from paper vouchers to e-vouchers still needs to be completed by the country office with the support from the regional bureau.

¹³ SCOPE is WFP's beneficiary information and transfer management platform.



Agreed Actions [High priority]

The country office will:

- i) Define a timeline to conduct missing feasibility studies and multisectoral assessments to provide a basis for the reassessment of transfer modalities and adaptation of process design and controls.
- ii) In line with the FSP due diligence recommendations, identify risk mitigating measures to reduce financial and operational risk exposure to financial service providers, cooperating partners and retailers.
- iii) In coordination with the Regional Bureau for Latin America and the Caribbean, review transfer and reconciliation processes to meet the standards of WFP's cash assurance framework,¹⁴ and update standard operating procedures accordingly.

Timeline for implementation

30 June 2023

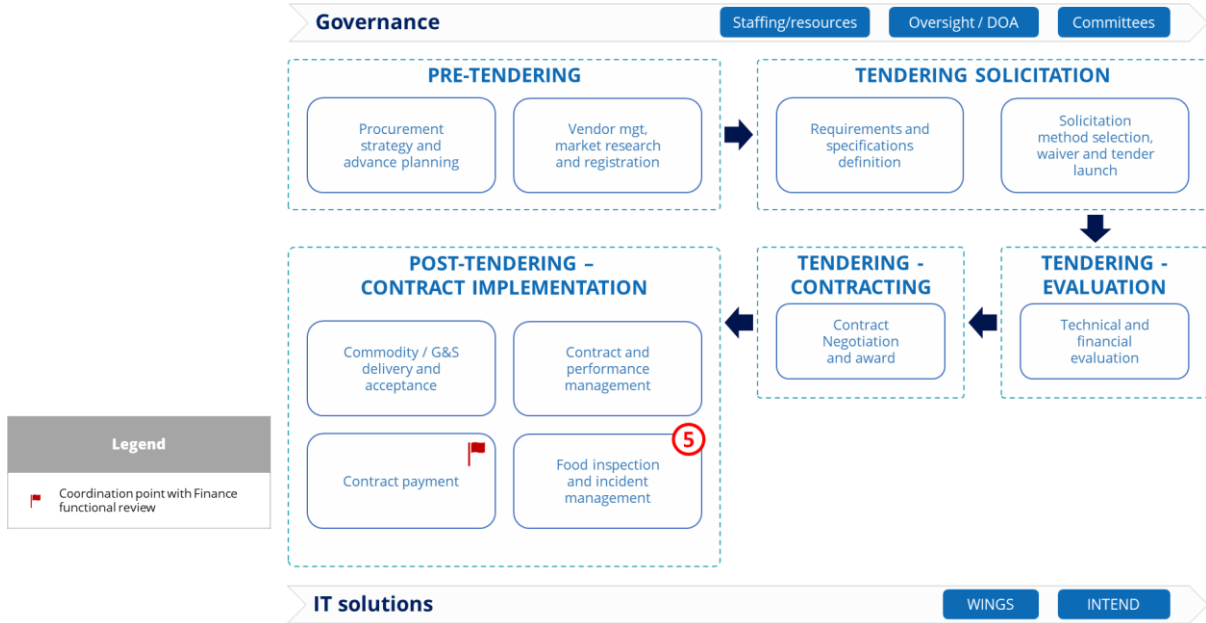
¹⁴ Cash Assurance Framework - <https://docs.wfp.org/api/documents/WFP-0000134564/download/> and, Cash Assurance Technical Note - <https://docs.wfp.org/api/documents/WFP-0000135365/download/>



Supply Chain

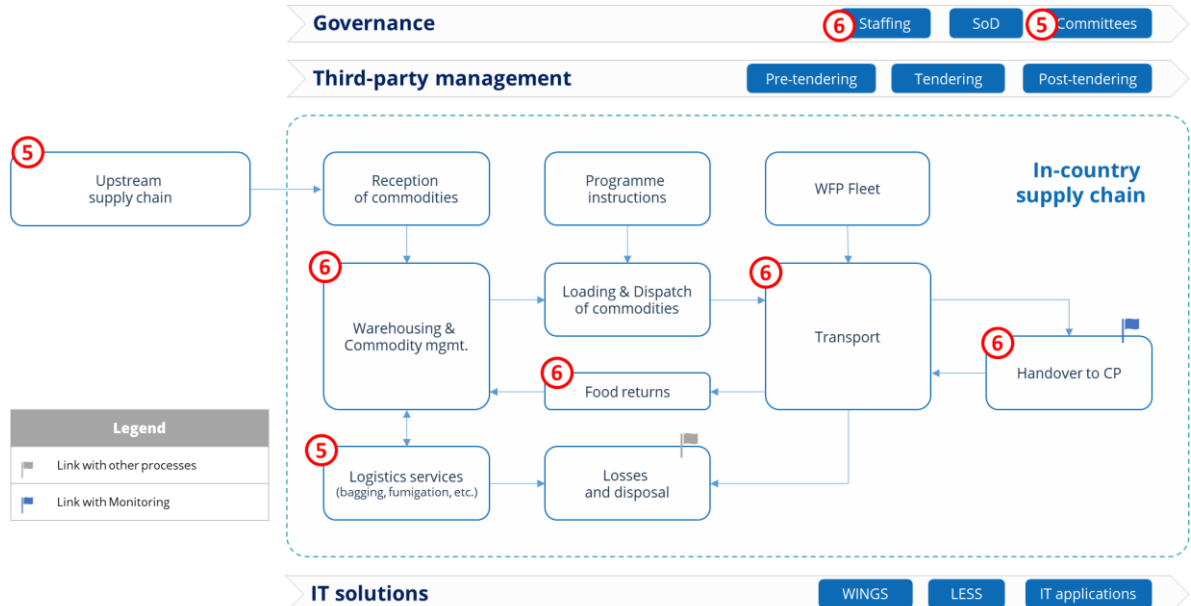
Procurement

Figure 4: Procurement



Logistics and commodity management

Figure 5: Logistics and commodity management





Observation 5: Food safety and quality

47. In 2021, the country office purchased 16,000 tonnes of food, of which 90 percent was procured by the regional bureau. Over the audit period, 16 percent of the food received was declared infested at the warehouse of discharge in Haiti, and the country office had to regularly fumigate its food stocks.

48. Infestation was the main cause of reported food losses in school meal programmes. Yet, only one incident had been logged in the mandatory food incident register. Further, beneficiaries reported very few cases of infested food through the WFP hotline.

49. While long transit times – including for customs clearance in Port-au-Prince – and meteorological conditions were apparent causal factors, the country office had not identified all possible drivers of food infestation to ensure appropriate measures were taken, including in the upstream supply chain.

50. The country office had delegated to external parties local purchases of USD 2.7 million of food, including fresh products, for school meals as well as for a small-scale retail operation in the metropolitan area.¹⁵ Despite capacity-building efforts, WFP food quality and safety protocols were not fully applied by these partners, and the country office had not assessed nor monitored food and safety risks for those delegated activities.

Underlying cause(s): Country office middle management was missing the appropriate level of expertise to apprehend the level of risk linked to local food procurement, and trained national staff had left the organization. There was limited awareness of corporate guidance regarding food incident management. Practices for fumigation by the service provider and warehouse management needed improvement. Operational imperatives to address humanitarian needs increased de facto the country office's risk acceptance as some processes were delegated without compensating controls.

Agreed Actions [High priority]

The Regional Bureau for Latin America and the Caribbean will:

- i) Perform a root cause analysis of infestation issues in the upstream supply chain to identify additional mitigating actions including, if necessary, adjusting the sourcing strategy.
- ii) Provide refresher training to country office staff to ensure application of best practices on prevention, detection, and management of infestation issues and fumigation exercises.

The country office will:

- iii) In coordination with the Regional Bureau for Latin America and the Caribbean, map food safety and quality risks to inform mitigation actions and staffing needs.
- iv) Strengthen governance and processes over food incident management in line with the corporate guidance.

Timeline for implementation

30 April 2023

¹⁵ WFP provided food assistance to 3,000 beneficiaries through 150 retailers contracted by a cooperating partner in a district in Port-au-Prince with restricted access for WFP staff.



Observation 6: Transport

51. Over the audit period, inter-warehouse transport was mainly contracted to private sector transporters (12,800 tonnes¹⁶); deliveries to schools were made through WFP's truck fleet (4,300 tonnes); and transport for the emergency response (9,500 tonnes) was mostly outsourced to cooperating partners.

52. Some key controls were found to be ineffective for transport activities to distribution points contracted to private sector transporters. Half of waybills tested were not signed by the transporter and the cooperating partner upon handover. The WFP logistics execution support system (called LESS) was missing data on the third-party to which the food was dispatched. Instances of food returned by cooperating partners and food losses had been wrongly or not timely registered in LESS.

53. In 2019, the country office started implementing the corporate digital solution¹⁷ to improve traceability of deliveries at distribution points. The project was delayed due to staff turnover, impacting continuity in project implementation.

54. Ninety percent of transport for the last-mile of the emergency response was managed by cooperating partners. WFP's control framework for transport was not fully applied on these logistics activities, such as the selection of transporters following due diligence, controls on the handover of food at distribution points, and loss recovery mechanisms. Additional risk mitigation measures – such as convoys – reduced the overall risk of losses or theft.

55. Issues related to commodity management were also noted, such as examples of misaligned expiry dates between the LESS system and physical stocks. Further, the head of logistics did not approve physical inventory counts.

Underlying cause(s): The country office delegated its transport activities to reduce costs and gain greater operational flexibility to overcome access challenges. Risk mitigation measures had not been fully established. Staff rotation created a skills gap in logistics and commodity management, which was not mitigated by a clear standard operating procedure in place.

Agreed Actions [High priority]

The country office will:

- i) With support from the Regional Bureau for Latin America and the Caribbean:
 - a. Formalize an assessment of the transport market.
 - b. Within the operational task force¹⁸ and in line with its humanitarian access strategy, clarify its risk tolerance to food losses during transport.
 - c. Reassess the risks associated with its transport strategy and the level of outsourcing to cooperating partners.
- ii) Finalize the standard operating procedure on warehouse management.

Timeline for implementation

30 April 2023

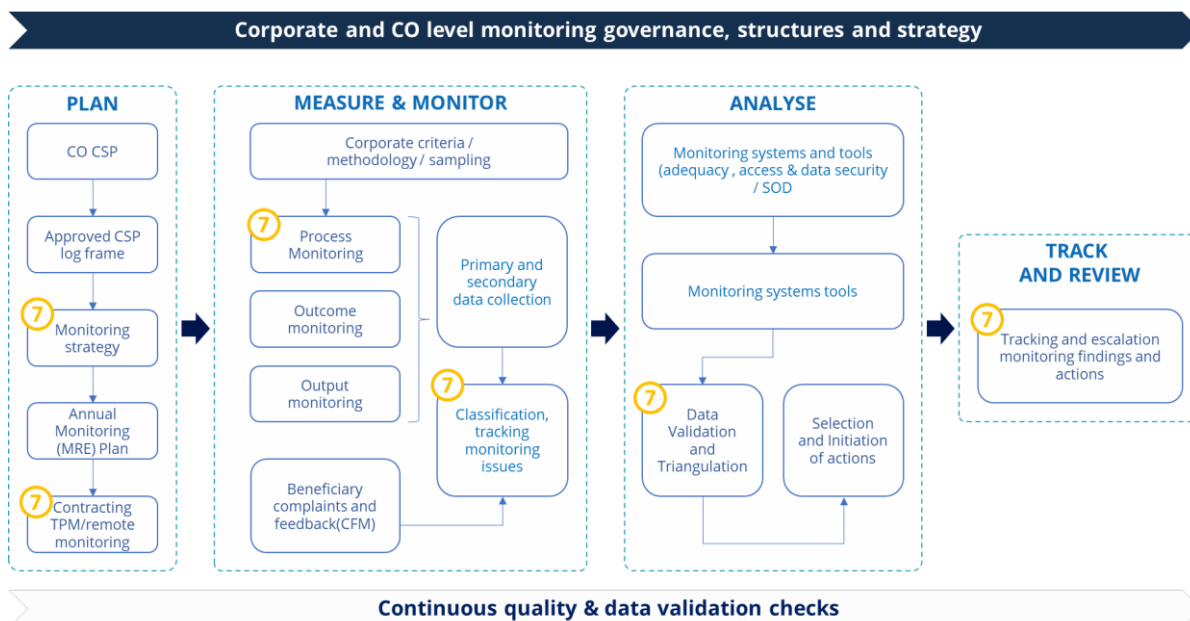
¹⁶ Estimates based on available data.

¹⁷ The LESS Last Mile corporate mobile application records “real-time” deliveries, and improves the accountability and accuracy of commodity accounting information.

¹⁸ WFP emergency activation protocols define the operational task force as a corporate level operational consultation and advisory body, including on matters involving exposure to high-level of risk. It is a forum for raising operational concerns, providing cross-functional support and guidance, and advising on the elevation of strategic issues.

Monitoring

Figure 6: Corporate and country level monitoring governance, structures and strategy



Observation 7: Monitoring activities

Monitoring strategy

56. The country office had prepared a CSP monitoring, review, and evaluation plan. The corresponding budget was incomplete; a full analysis of monitoring needs would have helped clarify remote monitoring strategies and expectations from other functions, particularly on the role of field monitors when involved in distribution activities and reporting.

57. The country office placed significant reliance on cooperating partners for the on-site monitoring of activities in the metropolitan area where security issues restricted access. This urban area represented 7 percent of total beneficiaries assisted in 2021. As cooperating partners also engaged in the end-to-end beneficiary management cycle in that area, independent monitoring mechanisms and triangulations were needed to mitigate the risks of unreliable reporting, fraud, or poor performance.

58. In 2021, the country office's monitoring strategy prioritized the coverage of cash distributions, without prescribing a minimum coverage for other CSP activities to ensure that minimum monitoring requirements were reached across activities and regions. Only in November 2021 did the monitoring unit introduce a regular review of plan versus actual figures, allowing the identification of gaps in monitoring coverage.

Monitoring implementation

59. Field monitors reported by email to the activity managers the result of their process monitoring visits. Monitoring results were, however, not consolidated – limiting the effective follow-up of the most significant monitoring issues, the ability to analyze trends, and tracking the implementation of follow-up actions. This practice would strengthen accountability, provide clear visibility on key issues for decision-making and evidence-based programme revision.

Underlying cause(s): Monitoring processes were stretched due the rapid growth of activities and distribution points in a deteriorating humanitarian and security context.



Agreed Actions [Medium priority]

The country office will:

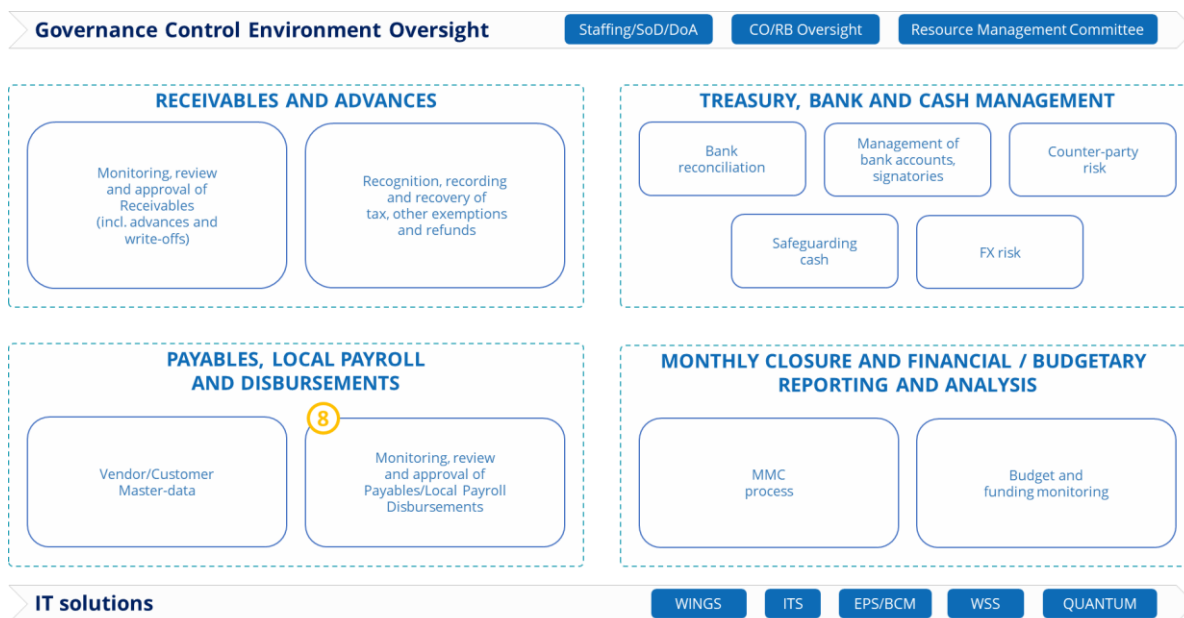
- i) Review the budget based on monitoring implementation plans ensuring compliance with minimum monitoring requirements.
- ii) Ensure independent monitoring is conducted in access-restricted areas, such as third-party monitoring.
- iii) Define processes and tools to ensure consistency across consolidation, follow-up and analysis of monitoring issues across field offices.

Timeline for implementation

31 December 2022

Finance

Figure 7: Finance



Observation 8: Recognition of expenses

60. Financial commitments for USD 24.6 million made in 2021 were open in the WFP Enterprise Resource Planning (ERP) system as of March 2022, and had yet to be recorded as an expense or closed to release the corresponding funds. This comprised planned cash transfers to beneficiaries through FSPs for USD 17.3 million,¹⁹ and planned distribution costs from cooperating partners for USD 7.3 million. This total represented 28 percent of the total office 2021 expenditure.

61. In the context of the staffing challenges mentioned in observation 1, the country office staff did not implement the recommendations made by the regional bureau in October regarding expense recognition in the correct fiscal year when advancing funds to FSPs. The lessons should be learned for ensuring that financial statements are correctly stated at year-end.

¹⁹ Of this amount, USD 6.9 million had yet to be reconciled as highlighted in observation 3.



Underlying cause(s): As the country office prioritized the delivery of activities during the emergency response, the programme unit did not take timely action to recognize expenses following notifications by the budget and programming office. Staffing levels in the programme unit were incommensurate with the increased volume of activity. Timely reconciliation routines for cash-based transfers were not implemented as noted in observation 3 of the report.

Agreed Actions [Medium priority]

The country office will:

- i) Apply corporate guidance on expense recognition for cash-based transfers and recognize the estimated expenditure on a monthly basis.
- ii) Expedite the clearing of long outstanding commitments to cooperating partners.

Timeline for implementation

30 June 2023



Annex A – Agreed action plan

The following table shows the categorisation, 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	Staff capacity	Cross-cutting	Country office	High	31 December 2022
2	Management oversight	Cross-cutting	Country office	High	30 April 2023
3	Beneficiary management	Beneficiary management	Country office	High	31 December 2022
4	Cash-based transfers	CBT	Country office	High	30 June 2023
5	Food safety and quality	Supply Chain	Regional Bureau Country office	High	30 April 2023
6	Transport	Supply Chain	Country office	High	30 April 2023
7	Monitoring activities	Monitoring	Country office	Medium	31 December 2022
8	Recognition of expenses	Finance	Country office	Medium	30 June 2023



Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, UNOPS and WFP adopted harmonised 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 categorised 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 organisation 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.²⁰

²⁰ 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 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

CBT	Cash-Based Transfers
CSP	Country Strategic Plan
FSP	Financial Service Provider
IPC	Integrated Food Security Phase Classification
LESS	Logistics Execution Support System
SCOPE	WFP's beneficiary information and transfer management platform
USD	United States Dollar
WFP	World Food Programme

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