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Internal Audit of WFP Operations in Türkiye

Office of the Inspector General
Internal Audit Report AR/22/15



World Food
Programme

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I. Executive summary

WFP Türkiye Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Türkiye that focused on governance, funding and resource management, human resource management, beneficiary management, cash-based transfers, supply chain, finance, monitoring and a tailored review of cooperating partner management. The audit covered the period from 1 January 2021 to 31 March 2022.
2. Türkiye is a unique operating context for WFP. As an upper middle-income country with strong government capacity, Türkiye is host to the world's largest refugee population. WFP's direct work in Türkiye, as defined in the Interim Country Strategic Plan 2020–2022, aims to support the Government in maintaining its model response of “non-camp solutions” for refugees. Due to the hand-over of the Emergency Social Safety Net programme to another organization in 2020, WFP significantly reduced its operations in the country, from USD 489.0 million and 1.8 million beneficiaries in 2019 to USD 9.0 million and 58,368 beneficiaries in 2021.
3. The audit focused on the implementation of two activities under a single strategic outcome linked to Sustainable Development Goal 17: (i) provision of assistance to refugees living in camps; and (ii) a new livelihoods activity providing vocational and on-the-job-training to refugees and Turkish nationals. As of the audit fieldwork date, the country office's 2023 country strategic plan was undergoing final approval, which foresees a large scale-up of assistance and beneficiaries. There was also an ongoing decentralized evaluation of the livelihoods activity.
4. The latest revised budget for the interim country strategic plan totalled 234 million. Expenses incurred pertaining to the interim country strategic plan for the year ended 2021, amounted to USD 13 million.

Audit conclusions and key results

5. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **some improvement needed**. The assessed governance arrangements, risk management and controls were generally established and functioning effectively but needed improvement to provide reasonable assurance that the objectives of the audited entity/area would be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
6. Despite the hand-over of its largest activity, WFP maintained a consistently funded office and successfully identified new funding sources. It continued supporting Syrian refugees in camps, serving 42,000 individuals in 2021, while shifting its focus from ‘saving lives’ to ‘changing lives’ with the development of its innovative livelihoods activity. With limited headquarters guidance and no corporate seed funding, the country office has invested USD 5 million as at April 2022 to enrol and train 1,928 Syrian refugees and Turkish nationals, 294 of whom were employed at the time of audit fieldwork. WFP is recognized as a key player in transforming Türkiye's longer-term refugee environment.
7. With the hand-over of its largest programme, in 2019 WFP transitioned to a new structure through an organizational alignment, while achieving staff survey score improvements, establishing high female representation in middle management, and empowering its national staff. The country office has since been at the forefront of helping retain UN staff in the face of unprecedented economic challenges through attempts to finalize a revised USD-based salary scale. Process testing results for controls in supply chain, finance and human resource management indicated that they were generally operational and effective.
8. While the country office's needs-based plan accounts for consistently high levels of inflation, the country office will need to adjust its planned budget to account for other emerging risks identified in its register, including ongoing currency devaluation and uncertain near and long-term funding outlooks.



9. The cost of livelihood activities was higher than projected and was being subsidized by camp activities, the full amount of which was still being determined by management. A cost-benefit analysis is needed to determine whether and to what extent outsourcing some parts of the programme would streamline activities, improve efficiency and ensure full cost recovery. This will be further informed by the results of an ongoing evaluation.

10. While transfer values were unaffected, the subsidization linked to the misallocation of costs across activities and cost categories did not comply with donor requirements and corporate budgeting guidelines. The country office needs to identify the amount and areas of costs incorrectly allocated, resolve these issues with the relevant donors and establish a clear cost allocation methodology. The country office must also appropriately monitor and revise its spending plans and reinforce the capacity of resource management committee members.

11. With the changes in context and activities, some functions and field offices were not consistently and appropriately staffed or structured. As recommended in the 2019 organizational alignment, the country office needs to perform a follow-up exercise, complemented by a skill needs and training gaps assessment to ensure that staff possess the relevant skills and expertise required to support livelihoods activities.

12. WFP provides refugees in camps with blanket reduced rations (less than 50 percent of the food basket) in accordance with Government directives. Despite several attempts, the country office has been unable to establish a memorandum of understanding with the Government to share beneficiary data, limiting its ability to perform vulnerability assessments and target vulnerable refugee sub-groups that require higher levels of assistance. This memorandum is imperative to support WFP's different activities in the country.

13. For some livelihoods training programmes, the application of overly broad selection criteria and over-qualified participants, contributed to high drop-out and low employment rates. These issues need to be addressed to improve the long-term likelihood of success of livelihoods activity.

14. Without a clear monitoring strategy and plan, the country office could not identify its monitoring needs, resources and gaps. Opportunities for improvement were identified in the segregation of duties, which was inadequate for livelihoods activities, where programme staff monitored the same beneficiaries and partners whom they had helped select. There were also no independent or effective complaints and feedback mechanisms for either activity. Further improvements could be achieved by reviewing CBT activities' set-up and closure, including micro-financial risks assessments and transfers reconciliations.

Actions agreed

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

THANK YOU!

16. 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

Türkiye

17. Türkiye is currently host to the world's largest refugee population, with over 3.8 million Syrian refugees and more than 330,000 refugees from other countries. While most refugees living in Türkiye (99 percent) reside among host communities, one percent live in six temporary accommodation centres. In recent years, the country experienced the arrival of more people fleeing conflict than any other country in the world, maintaining an open policy towards refugees despite regional instability.

18. In 2021, Türkiye experienced unprecedented currency devaluation, with price inflation nearing 36 percent and food inflation 43 percent by year-end. The annual inflation rate accelerated for the tenth consecutive month to 61 percent in March of 2022, the highest rate since March 2002 – severely eroding people's purchasing power and sharply increasing poverty rates in the country. These shocks have been compounded by the COVID-19 crisis and the war in Ukraine, heightening the vulnerabilities of lower-income and disadvantaged communities.

WFP operations in Türkiye

19. In November 2021, the country office extended the 2020–2021 Interim Country Strategic Plan by one year to December 2022 to align with the United Nations Sustainable Development Cooperation Framework (UNSDCF) and enable the continued provision of assistance in six camps across southeast Türkiye.

20. WFP established a Logistics Cluster Unit in southern Türkiye for cross-border operations in support of the Syrian crisis response. This unit is managed by the Syria country office and administratively supported by the Türkiye country office. Since 2020, WFP headquarters has purchased approximately 800,000 mt of food in Türkiye, with almost half this amount dedicated to support WFP operations in Yemen and approximately 30 percent for Syria. Türkiye remains a key sourcing hub for WFP's corporate response to emergencies.

21. Under the interim country strategic plan, WFP has steadily contributed to Sustainable Development Goal 17 by facilitating partnerships to support Türkiye in its achievement of the 2030 Agenda. Since 2012, WFP has been building partnerships and activities with the Government of Türkiye that link humanitarian response, resilience and social protection through support to refugees living in camps and host communities. Despite the challenging context, thanks to donor and partner support, in 2021, WFP successfully assisted 58,368 beneficiaries, consisting of 55,457 refugees and 2,911 nationals, with USD 8.3 million in vouchers distributed to 52,348 beneficiaries in camps and USD 0.6 million cash transferred to the 6,020 livelihoods activities participants.

22. Since the handover of the Emergency Social Safety Net programme to the International Federation of the Red Cross/Crescent in April 2020, no further direct implementation took place under WFP Strategic Outcome 1 activities. The COVID-19 pandemic led to some delays in planned activities, forcing WFP to adjust its operations to minimize the risk of transmission among beneficiaries and staff.

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 Türkiye. 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.

24. The audit fieldwork took place from 17 May to 3 June 2022, first in Ankara and then through a remote phase. A field office visit was made to Gaziantep to review area office operations.

25. The audit focused on the following two activities within the 2020–2022 Interim Country Strategic Plan under Strategic Outcome 1, representing 88 percent of total expenses incurred in 2021:

- Activity 3 – Provide technical support to Government and partners in assisting refugees living in camps in Türkiye. This activity represented approximately 61 percent of the interim country strategic plan requirements and 72 percent of the country office’s expenses in 2021.
- Activity 4 – Provide technical support to Government and partners in assisting refugees and vulnerable populations to equitably access labour market opportunities. This activity represented approximately 22 percent of the interim country strategic plan requirements and 16 percent of the country office’s expenses in 2021.

26. At the time of the audit fieldwork, an ongoing decentralized evaluation of interim country strategic plan Activity 4 (*Evaluation of WFP’s Livelihoods Activities in Türkiye from 2020 to 2022*) was being commissioned by the country office, which overlaps with the period under audit. The primary objective of the evaluation is to assess and report on the performance and results of WFP’s livelihood activities in Türkiye. The audit team engaged with the independent evaluator during planning and audit fieldwork to minimize duplication.

27. The Office of Internal Audit developed an audit approach for 2021 to adapt to COVID-19 constraints, while increasing its audit coverage of country operations and providing assurance on five key areas of the end-to-end country office delivery process, as detailed in [Figure 1](#).

Figure 1: Areas covered by the 2021 audit approach



28. The Office of Internal Audit performed audit tests on essential controls outlined for each of the following predetermined six areas: (i) governance, funding and resource management; (ii) human resource management; (iii) beneficiary management; (iv) cash-based transfers; (v) supply chain; (vi) finance; and (vii) monitoring. 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.

29. 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 the assessment results, the audit added a tailored review of cooperating partner management. The audit did not focus on food procurement or logistics in Türkiye, areas which are not managed by the Türkiye country office.

30. 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

31. The five observations arising from the audit are presented below. They are grouped into sections corresponding to the functional areas covered (see paragraph 27), with an initial section to capture cross-cutting issues.

32. A simplified standard process diagram is included for five of the functional areas audited. These diagrams 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 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 included in the diagrams.

Cross-cutting issues

Observation 1: Country strategic plan design and sustainability

33. The country office maintained a consistently funded operation, even with the handover of the Emergency Social Safety Net (ESSN) programme to another organization. The office transitioned to a new livelihoods vocational training activity and identified new funding sources. The country office's primary resource partners expressed their probable intention to maintain current funding levels and the country office is attempting to tap into new sources of funding. The 2023 country strategic plan aims to scale up the livelihoods activity to reach a total of 10,502 direct beneficiaries over three years (five times the caseload assisted since the activity started) and calls for more resources based mainly on consistently high rates of inflation.

34. As part of its regular operations, the country office identified key risks to its operations and updated the related mitigating actions, particularly in the context of COVID-19.

35. Three areas for attention and improvement were identified through the audit.

Incorporation of emerging risks in budget plans

36. Some key emerging risks, while identified in the risk register, were insufficiently considered in planned budgets, impacting the country office's ability to achieve its stated funding goal. These risks included (a) the significant devaluation of the Turkish Lira; (b) expected mid- to longer-term decreases in camp populations; and (c) low likelihood of future funding increases, as confirmed by existing resource partners given other priorities and global economic constraints.

Cost-efficiency and sustainability of livelihoods' activity

37. The actual costs of the livelihood activity, overall and per participant, were higher than originally anticipated and challenge the country office's ability to fully recover its costs and achieve its scale-up ambitions. An ongoing WFP decentralized evaluation is assessing the overall efficiency of the livelihood activity and to what extent activities contribute to anticipated outcomes. This was, therefore, not reviewed by the audit.

38. In the absence of corporate seed funding for livelihoods activities, the country office invested USD 5 million to enrol and continue to train 1,928 Syrian refugees and Turkish nationals. At the time of audit fieldwork, 294 of them were employed.

39. The livelihoods activity required subsidization, particularly from the camps activity, to sustain its level of activities – refer to Observation 2 on allocation of funds.

40. Given difficulties to outsource to cooperating partners, delivery was mainly undertaken through direct implementation, which was labour-intensive. Country office staff spent much of their time supporting the



livelihoods activity, especially in on-the-job training matters. At the time of finalizing the audit report, contracting with additional partners, including several chambers of commerce, was under way.

Human resources alignment to the country strategic plan

41. In preparation for the handover of the ESSN programme in 2020, the country office transitioned to a new structure with the help of an organizational alignment exercise carried out in September 2019. This reduced its personnel by 29 percent, from 134 to 95 staff, while also empowering national staff.

42. The country office needed to follow-up on some issues at the time of audit fieldwork. Specifically, the budgeting and programming officer supervised both cash-based transfer and field-level agreement financial management, and there was only one staff member, with no backup, for both the budgeting and programming as well as procurement functions. This challenged the country office's ongoing capacity to adequately and timely support and supervise these functions. Further, the organizational alignment identified the need for another person with the required potential and seniority to backfill both positions which, as of the audit fieldwork, had yet to be arranged.

43. The organizational alignment also recommended a follow-up exercise to review and validate the structure considering the ongoing programmatic and funding changes. This was not performed, therefore risking that not all functions and field offices be consistently and appropriately staffed to align with their levels of activity and management, hence impacting effectiveness and efficiency. For example, while some livelihoods experts were hired, most staff were originally recruited to support emergency refugee activities and did not possess the skills and experience specific to livelihoods activities.

Underlying cause(s): Budget planning and reviews not adequately factoring all key emerging risks; corporate guidelines not requiring a cost-benefit analysis for the livelihoods activity; COVID-19 and competing demands delaying the recommended assessment of skills needs and training gaps.

Agreed Actions [High priority]

The country office will, with the support of the Regional Bureau for the Middle East, Northern Africa and Eastern Europe:

- (i) Monitor and analyse current and future funding levels, prices and currency value to inform any required budget revision and/or implementation plan adjustments, especially with respect to livelihoods activities.
- (ii) Perform a cost-benefit analysis to assess whether and to what extent outsourcing some parts of the livelihoods programme to implementing partners will streamline activities and improve efficiency.
- (iii) Perform the follow-up organizational alignment exercise informed by a skills needs and training gap assessment and results of the evaluation mission.

Timeline for implementation

28 February 2023



Budget management

44. The audit reviewed key controls over budget revisions, earmarking and prioritization of activities for fund allocation, funds and pipeline monitoring, donor requirements and reporting.

45. The country office budgeting and programming officer reported to the deputy country director (head of programme) and led a team of three programme staff engaged in cash-based transfers, a structure unique to the country office.

Observation 2: Implementation plan and funds monitoring

46. The Resource Management Committee met regularly with key staff in attendance and held active discussions on funds monitoring and resource outlook. It documented all meeting deliberations in detail, including clear actions for follow-up.

47. Several findings indicated that certain key budgetary controls and funds monitoring processes required improvement:

- While activity managers attended meetings and commented on funds management deliberations, they did not maintain activity expenditure plans to structure their priorities and responses in alignment with the implementation plan. The absence of regular implementation plan validation resulted in inaccurate programmatic rates for associated costs and misalignment of cost categories.
- The country office incorrectly allocated and cross-subsidized expenses across activities and cost categories, which did not comply with donor requirements and corporate budgeting guidelines.¹ In addition to charging livelihoods expenses to the camps activity (See [observation 1](#), paragraph 39), staff who provided oversight and support for all activities were incorrectly charged to the 'implementation' cost category instead of direct support costs; and field office staff directly involved in both activity management and implementation were incorrectly charged as direct support costs. In the absence of clear cost segregation, the country office could not accurately determine the expenses for each of its activities.
- Implementation and spending of planned costs – including cooperating partner, capacity strengthening and activity implementation costs – were not regularly tracked. Further, there was a mismatch between the categories where costs were planned and those where they were recorded, leading to underspending in some categories and overspending in others.
- Corporate guidelines allow for the temporary funding of programme staff through direct support costs, rather than using funds from a different activity. This requires nevertheless close monitoring, as continued reliance on direct support costs would require a revision to the programming rate, the rate at which these costs are charged for the implementation plan. The audit observed that the country office did not carry out a revision of programming rates for the implementation plan.

Underlying cause(s): Minimal awareness of fund management guidelines; absence of a clear costing methodology to allocate costs which may be associated with multiple activities; responsibility for activity spending not defined and activity managers not being held accountable through expenditure plans; and absence of regular monitoring of the implementation plan.

¹ The key driver of the Country Portfolio Budget is to estimate planned costs according to detailed cost elements for all high-level cost categories (transfer, implementation and direct support costs) for each transfer modality within activities.



Agreed Actions [High priority]

The country office, in consultation with the Regional Bureau for the Middle East, Northern Africa and Eastern Europe, will:

- (i) Seek funds management training for the resource management committee members.
- (ii) Establish a clear cost allocation methodology in alignment with the corporate budgeting guidelines and donor conditions and identify and resolve the amount and areas of costs incorrectly allocated for the rectification of the misallocated expenses.
- (iii) Maintain expenditure plans to monitor the spending levels for each cost category within the activities, with a continuous programme expenses planning, analysis and reporting process through the resource management committee.
- (iv) Revise its programmatic rates for the implementation plan to reflect the operational context by identifying planned costs to correct cost categories.

Timeline for implementation

28 February 2023



Beneficiary management

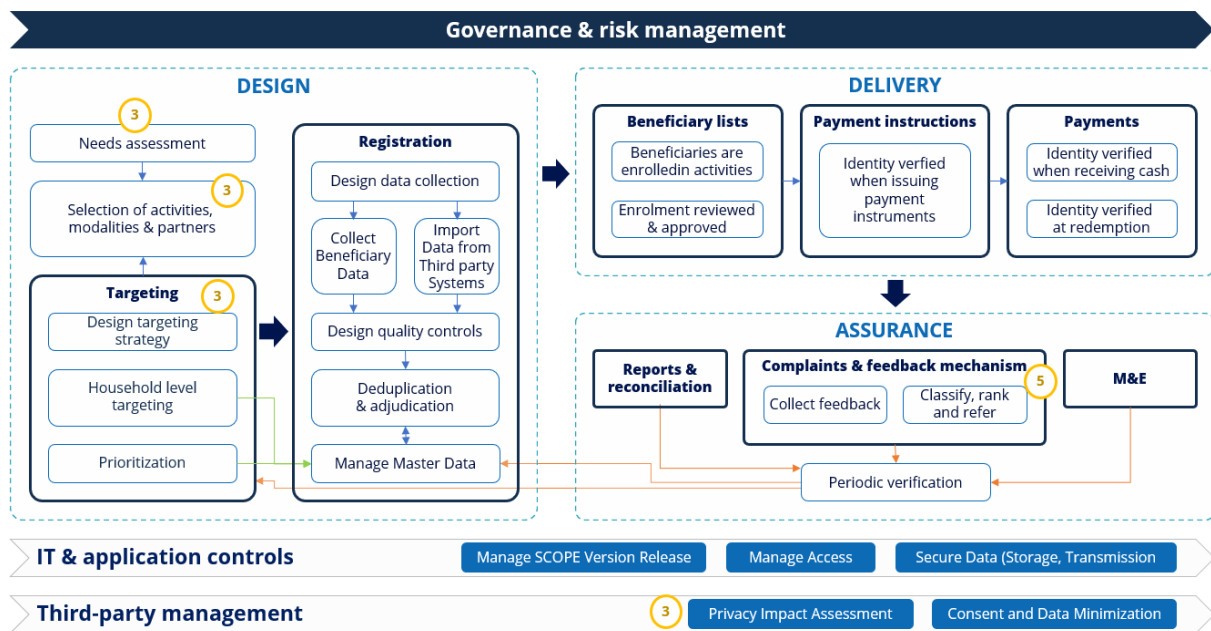
48. Targeting, vulnerability assessments and adequate selection criteria were not completed to identify the most vulnerable populations and right candidates for the camp and livelihoods activities.

49. Tasked by the Government as the primary organization to perform refugee work in Türkiye, the Turkish Red Crescent has been WFP's key partner for implementing work in the camps since 2012. This was done in cooperation with the Presidency of Migration Management, which set the cash-based transfer value and approved top-ups that were required amid soaring inflation rates and devaluation of the Turkish lira.

50. The country office developed its own beneficiary data management tool for refugee operations due to local restrictions preventing WFP from using its corporate system, SCOPE. At the time of audit fieldwork, the country office was finalizing its first privacy impact assessment to identify beneficiary management risks and the necessary tools and resources to manage and protect beneficiary data confidentiality, availability and integrity.

51. The audit team performed tests of key controls in the beneficiary management process, including the selection of beneficiaries; risk management; elements of design, delivery, and assurance mechanisms; support systems; and security and privacy aspects.

Figure 2: Control test results for beneficiary management



52. Controls over beneficiary data registration, collection, delivery and verification were established and operating effectively. Improvements were needed in other key areas such as beneficiary targeting, selection criteria and data sharing agreement between programme stakeholders.



Observation 3: Beneficiary management for livelihoods and camp activities

53. The audit noted areas requiring improvement in three areas: beneficiary needs assessments; selection criteria and agreements with programme stakeholders.

Livelihoods programme and candidate selection

54. During the audit period, WFP's livelihoods programme provided vocational training to support the private sector in various areas, including store attendant, chef assistant and food packaging. Some of these experienced high drop-out rates and low employment rates, especially where there were overqualified candidates and where a scoring system and proper selection criteria had yet to be established. These criteria and scoring system are necessary to ensure, as much as possible, the difficult trade-off between recruiting from a highly vulnerable population while also selecting participants with the adequate skills to secure long-term employment and ensure a high success rate beyond the programme's duration.

55. Further, panel members to interview training participants were inconsistently selected and did not always include Government partners as required by agreements.² The involvement of these stakeholders at the early selection stage to test candidates and verify the quality and accuracy of application information is critical to the success of the training programmes.

56. Although WFP was recognized as a valuable partner in livelihoods activities and assistance to refugees, donors, partners and Government agencies highlighted that WFP needs to better communicate programme monitoring results and periodically report achievements. At the time of the audit, there were no periodic steering committee meetings between all partners and stakeholders.

Beneficiary targeting strategy and approach for camp activities

57. The country office provided blanket cash-based transfer (CBT) assistance to all refugees in camps. A vulnerability and needs assessments could not be performed to establish eligibility criteria, preventing the office from targeting those most in need. At the time of audit fieldwork, approximately 42,000 beneficiaries were receiving reduced rations (less than 50 percent of the food basket) as per the programme's design. Vulnerability Analysis and Mapping reports and audit field visits confirmed that, while most residents were vulnerable, specific sub-groups were in greater need (e.g., disabled or chronically ill persons, separated children and pregnant or lactating women). The combination of needs assessments and targeting strategies is critical for the country office to anticipate potential funding gaps and to absorb the new influx of refugees, as was recently requested by the Government.

Underlying cause(s): Establishment and application of strict selection criteria being challenged by recent programme initiation and low training programme applicant numbers ; inconsistency in the interview process due to lack of coordination and unavailability of Government panel members across the country; absence of communication forum among stakeholders to continuously oversee and support activities; and delays in establishing a memorandum of understanding with the Presidency of Migration Management to enable data sharing and the eventual application of a needs assessment and targeting.

² The country office asserted that while Government partners were sometimes invited to participate in panels, they did not always attend.



Proposed Actions [Medium priority]

The country office will:

- (i) Revise the approach to targeting beneficiaries and establish selection criteria in coordination with private and public sector stakeholders, based on specific skills and technical capacities that meet future industrial sector needs.
- (ii) Agree with stakeholders on the needs, priorities, frequency and milestones for activity reporting; and establish a timeline for periodic steering committees between programme stakeholders.
- (iii) Establish a memorandum of understanding between WFP and the Presidency of Migration Management on agreed and future actions with clear roles and responsibilities for beneficiary targeting and management, including a beneficiary data-sharing agreement.
- (iv) In coordination with the Turkish Red Crescent and the Government, establish a working group to define beneficiary data needs and sharing agreements for WFP; and implement processes for targeting and needs assessments.

Timeline for implementation

28 February 2023



Cash-based transfers

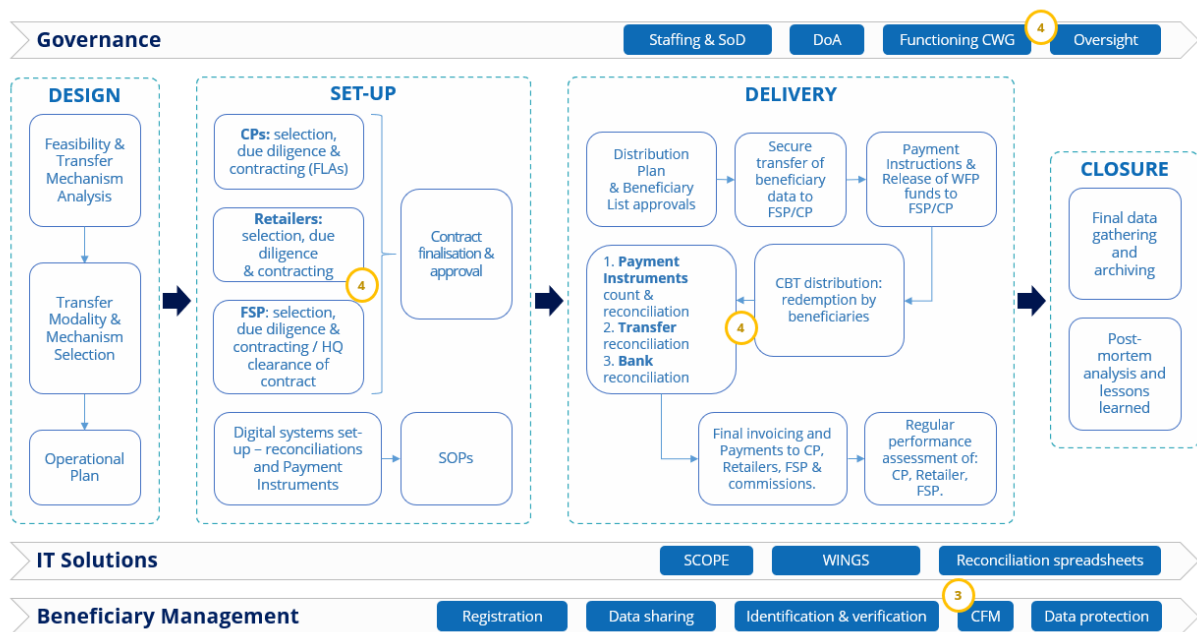
58. During the audit period, CBT totalled USD 22.4 million, with 90 percent delivered to refugees via the Turkish Red Crescent as value vouchers, and 10 percent to refugees and Turkish nationals in the livelihoods activity via a local financial service provider and non-governmental organizations (NGOs) as cash transfers. This was a significant decrease from the ESSN programme’s transfer value of USD 489 million and USD 135 million for 2019 and 2020, respectively.

59. Since the ESSN programme handover to the International Federation of Red Cross and Red Crescent Societies (IFRC), the country office has not directly implemented activities under the refugee assistance programme in camps. Under the present agreement with the Government of Türkiye, the country office assisted in-camp refugees in partnership with the Turkish Red Crescent through e-vouchers with a value of USD 9.5 per person per month redeemable in contracted retail shops inside the camps. The Government and the Turkish Red Crescent decided on CBT choice of transfer modalities and selected the financial service providers.

60. The audit performed tests of key controls in the CBT process and systems, including governance, set-up and delivery.

61. Results indicated that controls relating to cash-based transfers’ design, delivery and distribution of assistance were established and operating effectively.

Figure 3: Control test results for cash-based transfers





Observation 4: Cash-based transfers

Micro-financial risk assessments

62. Micro-financial risk assessments were not conducted on two cooperating partners distributing cash to vocational training participants, as required by corporate guidance. These assessments aid the country office in identifying and monitoring financial risks and help it determine appropriate contractual terms and conditions to mitigate identified risks.

Cash-based transfer reconciliations for camps activities

63. WFP had no direct access to the financial service provider's platform when conducting CBT transfer reconciliations and, instead, relied on reports from the Turkish Red Crescent. The process was based on spreadsheet documents and a comparison of transfer instructions with reported distribution figures, both received from the Turkish Red Crescent. This process could not provide reasonable assurance that only intended recipients received assistance in the right amount.

Cooperating partner selection

64. Two NGOs that applied to participate in the livelihoods activity cash transfers were selected for contracting even though the country office's desk review did not favour them and recommended other candidates. According to the country office, some of the shortlisted NGO candidate organizations were replaced to avoid any perception of conflict of interest given their previous work with some of the programme's stakeholders. The evidence and reports of criteria used to support the selection of these NGOs in place of the qualified candidates were not documented.

Underlying cause(s): Lack of awareness for the need to establish a cash-based transfer working group to oversee key aspects such as mandatory corporate assessments of risks and issues across activities; data-sharing agreement with the Turkish Red Crescent and the financial service provider to have direct access to CBT transfer data not established as a result of operational expediency; non-compliance with procedures to fully document due diligence analysis and establish adequate cooperating partner selection criteria.

Proposed Actions [Medium priority]

The country office will:

- (i) Establish a cash-based transfer working group.
- (ii) Perform a micro-financial risk assessment for all non-governmental organizations involved in cash transfers.
- (iii) Put in place an agreement with the Turkish Red Crescent and the financial service provider to directly access data from the financial service provider platform for CBT reconciliation.
- (iv) Set up and fully document all criteria and justification used in the cooperating partner selection process.

Timeline for implementation

28 February 2023



Monitoring

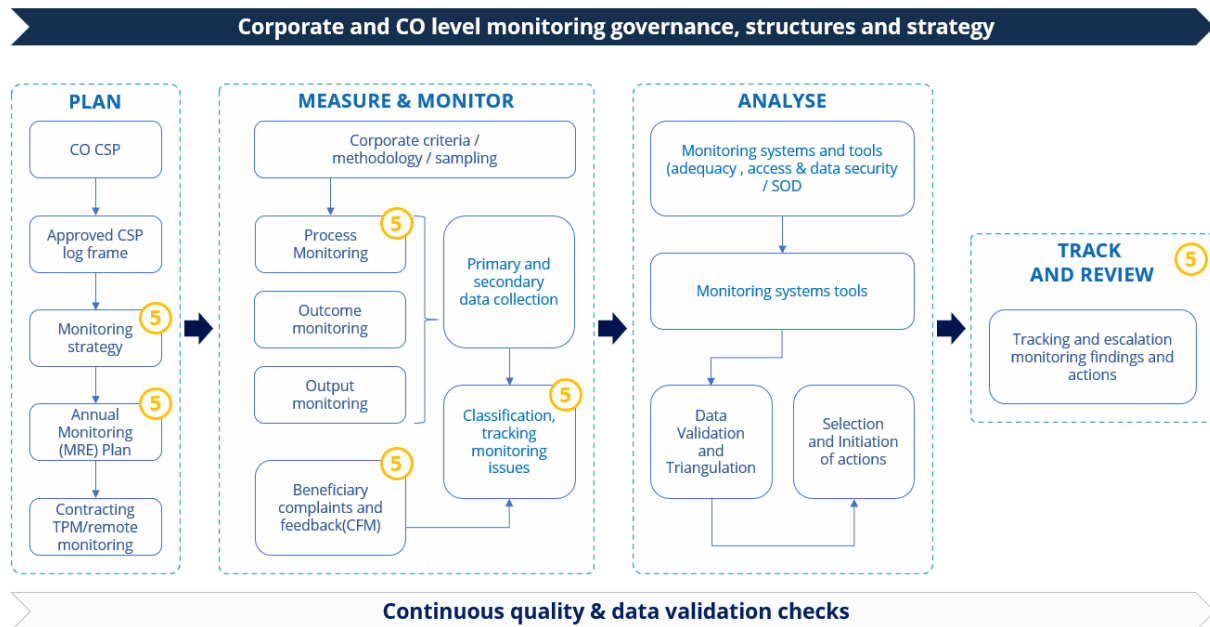
65. The vulnerability analysis mapping and monitoring functions were clustered together, headed by a vulnerability analysis mapping officer who reported directly to the deputy country director (head of programme). The unit comprised five staff, with expertise in monitoring and evaluation, vulnerability analysis mapping and information systems. Monitoring activities in the field were carried out by programme staff.

66. The country office monitoring process was guided by the country strategic plan logframe and was based on Corporate Result Framework indicators. The country office collected outcome monitoring data using the corporate data collection platform, Mobile Operational Data Acquisition (MODA), and an in-house digital tool, Monitoring Evaluation Database System (MEDS), to record monitoring visits and report on-site monitoring results. Further, for the livelihoods activity, the country office used an innovative, in-house application, the Socioeconomic Empowerment and Sustainability application (SESApp), to collect feedback from both beneficiaries and teachers regarding employment status, drop-outs, and satisfaction.

67. During the COVID-19 pandemic, the country office waived physical monitoring coverage in line with corporate guidance and effectively set up remote monitoring through phone calls. COMET data showed that monthly distribution reports from partners were validated. There were no regional monitoring oversight missions during the audit period and the country office did not identify any risks related to monitoring activities in its risk register. One good practice identified was that the country office monitored cooperating partners through capacity assessments, technical support and periodic reviews.

68. The audit reviewed key controls in the monitoring cycle from strategy and resources to periodic (annual and monthly) planning, analysis, reporting and follow-up of monitoring issues.

Figure 4: Control test results for monitoring





Observation 5: Monitoring of activities and complaints and feedback mechanism

Monitoring of activities

69. Key components of monitoring for the office – including objectives, staffing and structure, roles and responsibilities, data collection and reporting processes, and quality control strategies – were not formalized and documented. There were no monitoring standard operating procedures for livelihoods activities, and those for camp activities were out of date, resulting in poor linkages between monitoring activities and difficulties in identifying monitoring gaps and risks.

70. Field offices prepared and executed their own on-site monitoring plans, albeit these were not consolidated and monitored at head office level, resulting in inadequate visibility on overall monitoring coverage.

71. Further, a monitoring capacity development plan had yet to be developed; it is a key tool for the office given that extensive monitoring work was carried out by both field office and cooperating partner staff, who may not be experts in monitoring.

72. The monitoring and evaluation planning and budgeting tool did not fully reflect the resources allocated to monitoring and, hence, blurred the visibility of monitoring resource needs and management oversight.

73. In addition, field office staff both implemented and monitored activities for the livelihoods activity, which led to segregation of duties issues and de-prioritization of monitoring versus programmatic activities. The country office monitoring team had limited visibility and oversight of field office staff performing monitoring.

74. While mandatory indicators for outcome and output monitoring were tracked, process monitoring indicators were not. Moreover, the corporate planning and performance dashboards were not used to track progress against targets and check data inconsistency.

75. Field offices captured monitoring issues in MEDS but did not systematically follow up on and integrate these issues into programming. Classification of monitoring issues was also missing to ensure that they were appropriately mapped to relevant offices, partners and activities.

Complaints and feedback mechanism

76. For the camps activity, in addition to being the implementing partner, the Turkish Red Crescent recorded and managed all beneficiary complaints, which represents an inherent conflict of interest. The Turkish Red Crescent only shared monthly reports, the accuracy and completeness of which WFP was unable to verify. For the livelihoods activity, the country office captured complaints and feedback directly into an online application that was later consolidated in MEDS. There was no evidence, though, that that these complaints were monitored and followed up on.

Underlying cause(s): Lack of awareness to plan, implement, consolidate and analyse all aspects of monitoring activities, including complaints and feedbacks, in line with corporate guidelines; insufficient regional bureau oversight to review, challenge and support monitoring activities, data and reports; and lack of consideration for the need to have a clear data-sharing agreement with the Turkish Red Crescent for the camps activity.

Agreed Actions [Medium priority]

The country office will:

- (i) Prepare a monitoring strategy, a centralized monitoring plan and procedures that consider all relevant activities and corporate requirements, along with the robust implementation of the complaints and feedback mechanism.



- (ii) Seek support from the regional bureau to perform periodic and in-depth oversight of the country office’s monitoring activities and invest in building capacity and skills by arranging a training session for monitoring staff.
- (iii) Establish a protocol with the Turkish Red Crescent to ensure the completeness and accuracy of complaints and feedback mechanism data.

Timeline for implementation

28 February 2023

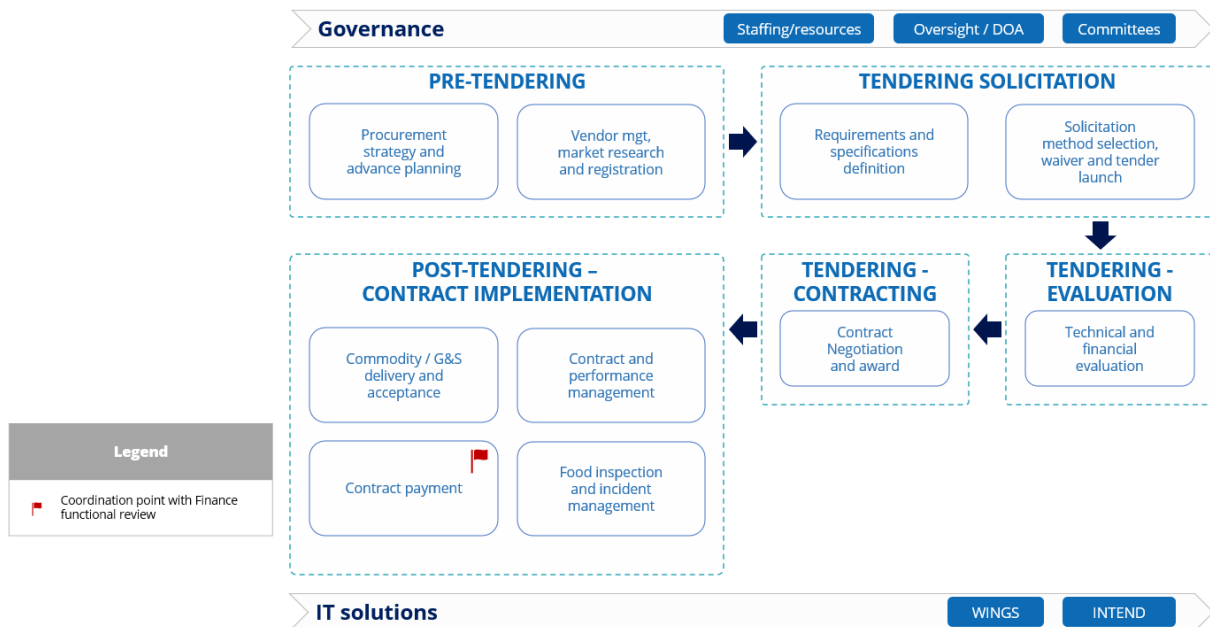
Supply chain

77. Goods and services procurement totalled USD 2.8 million over the audit period.

78. The audit performed tests on procurement key controls from planning; roster creation and vendor selection; supplier due diligence; vetting and performance management, decision making process; and delegation of authorities.

79. Key controls were established and operating effectively.

Figure 5: Control test results for procurement





Finance

80. The country office was actively engaged in efforts to implement recommendations arising from the finance oversight mission carried out by the regional bureau in April 2021.

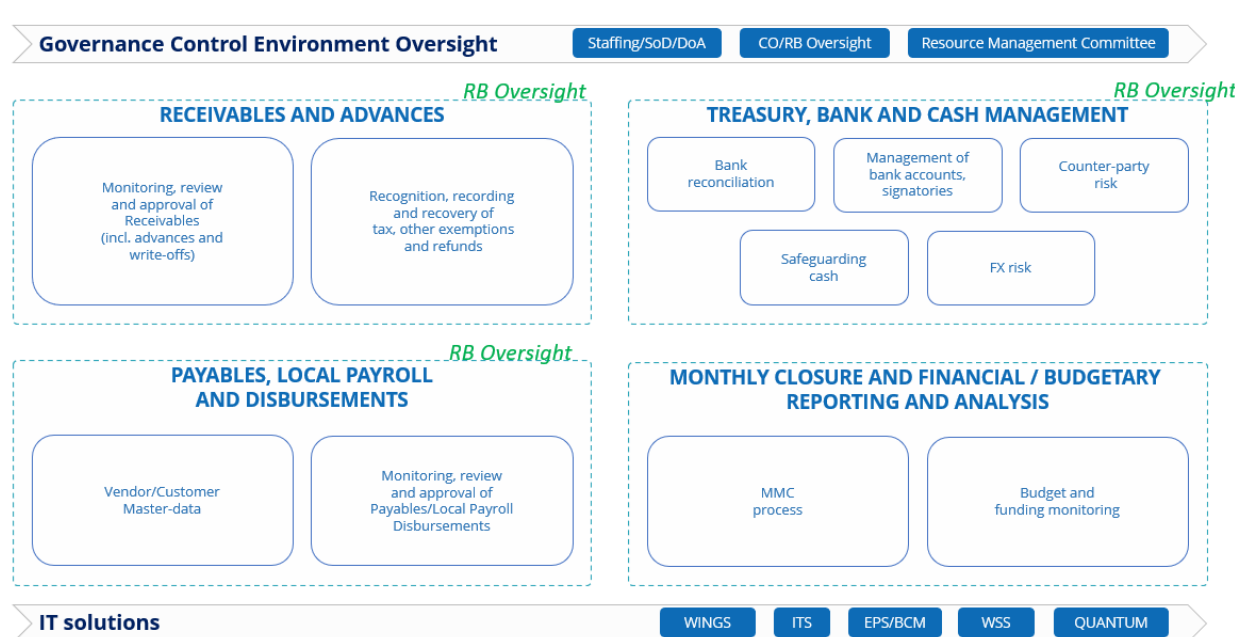
81. Due to the economic environment and significant devaluation of the Turkish Lira, the headquarters treasury unit proactively managed WFP's exposure to exchange rate fluctuation risk, while the country office maintained minimal bank balances to meet only its immediate future operational needs.

82. As relates to past activities under ESSN, the Directorate General for European Civil Protection and Humanitarian Aid Operations of the European Commission (DG-ECHO) raised the issue of potential double cost charging through a management fee and a platform management fee by the Turkish Red Crescent. This continued to be included in agreements with the Turkish Red Crescent for the ongoing camps activity. While the country office is required by the Government of Türkiye to work with the Turkish Red Crescent, at the time of audit reporting, the office was nevertheless attempting to negotiate with the Turkish Red Crescent on the exclusion of such costs in the new field-level agreement.

83. The areas reviewed by the audit, and areas where reliance was placed on regional bureau oversight, are illustrated in Figure 6 below.

84. No significant findings related to finance arose during the audit. Key controls related to primary finance process areas were generally established and functioning effectively.

Figure 6: Control test results for finance





Human resource management

85. Key controls related to primary human resource management process areas were generally established and functioning effectively.

86. It was further noted that in the face of extraordinary inflation and currency devaluation, all UN agencies in Türkiye have recently struggled to attract and retain staff; many left to take up positions in other NGOs and international organizations that pay in 'hard' currency³ rather than Turkish lira. At the time of the audit fieldwork, WFP, as a member of the local UN Salary Survey Committee, was actively involved in trying to mitigate these effects through finalization of a salary survey and a resultant USD-based salary scale. The country office also responded in the short term with bonus payments to top up both staff and Service Contract personnel salaries.

³ So called 'hard' currencies include the US dollar, British pound, Euro, Swiss franc and Japanese yen.



Annex A – Agreed action plan

The following table shows the categorization, ownership and due date agreed with the audit client 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 | Country strategic plan design and sustainability | Cross-cutting | CO | High | 28 February 2023 |
| 2 | Implementation plan and funds monitoring | Budget management | CO | High | 28 February 2023 |
| 3 | Beneficiary management for livelihoods and camp activities | Beneficiary management | CO | Medium | 31 March 2023 |
| 4 | Cash-based transfers | Cash-based transfers | CO | Medium | 28 February 2023 |
| 5 | Monitoring of activities and complaints and feedback mechanism | Monitoring | CO | Medium | 31 March 2023 |

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.⁴

⁴ 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

| | |
|----------------|--|
| CBT | Cash-based transfer |
| COMET | Country Office Tool for Managing (programme operations) Effectively |
| DG-ECHO | Directorate General for European Civil Protection and Humanitarian Aid Operations of the European Commission |
| ESSN | Emergency Social Safety Net |
| IFRC | International Federation of Red Cross and Red Crescent Societies |
| MEDS | Monitoring Evaluation Database System |
| MODA | Mobile Operational Data Acquisition |
| Mt | Metric tons |
| NGO | Non-governmental organizations |
| SCOPE | WFP beneficiary information and transfer management platform |
| SESApp | Socioeconomic Empowerment and Sustainability application |
| USD | United States dollars |
| WFP | World Food Programme |

Annex D - List of figures

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