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Internal Audit of WFP Operations in Yemen

Office of the Inspector General
Internal Audit Report AR/22/16



World Food
Programme

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I. Executive summary

WFP Yemen Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Yemen which focused on beneficiary management, cash-based transfers, supply chain, monitoring and a tailored review of the management of cooperating partners, access management, finance and resource management. The audit covered the period from 1 January to 31 December 2021.
2. WFP Yemen's Interim Country Strategic Plan for 2019–2022 aims to save lives and protect livelihoods in emergencies through large-scale, life-saving emergency food assistance to the most food-insecure population and expanded coverage of nutrition interventions to prevent and treat moderate acute malnutrition. The latest revised budget for the Interim Country Strategic Plan was USD 8.7 billion.
3. In 2021, WFP assisted 15.5 million beneficiaries by providing 1.1 million metric tons of food, USD 173 million in cash transfers, and USD 196 million in commodity vouchers. Expenses incurred during the audit period amounted to USD 1.5 billion. The audit focused on the implementation of three activities under strategic outcomes 1, 2 and 3.
4. Yemen continues to be divided into two main areas controlled by parallel authorities, which have sustained armed conflict for the last seven years. This political structure has fragmented the country into multiple zones held by various armed groups. The country's economic crisis deepened in 2021 due to the protracted conflict, continued political instability and economic disintegration.

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 well but needed improvement to provide reasonable assurance that the objective 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. WFP in Yemen continues to operate in one of the organisation's most complex political and operational environments. Conflict driven insecurity and access limitations impose significant operational constraints, requiring the country office to rely on third parties to perform key process activities and detective controls in project implementation and monitoring. The COVID-19 pandemic further limited access and required remote management mechanisms to access and control key operational locations. Moreover, critical funding gaps have reduced assistance rations for existing beneficiaries. Despite these operational challenges, WFP delivered life-saving emergency food assistance to 15.5 million beneficiaries in 2021.
7. From 2019 to 2020, WFP reviewed its operations in Yemen, reassessed operational risks and made efforts to address risks within its control. Since then, the country office has established internal controls and risk-mitigating actions addressing oversight and assurance recommendations. Although the risks previously identified have persisted, along with the country context, there were no performance oversight missions from headquarters and the regional bureau on key functional areas in 2021.
8. Since the Office of Internal Audit's last visit in 2019, there have been process improvements to strengthen controls in beneficiary management, cash-based transfers, supply chain and monitoring. Notable advances included the country office's strong staff capacity with senior and experienced heads of units, detailed standard operating procedures, and a capable and well-resourced risk management and compliance unit. The latter played a key role in the identification and management of fraud risks, risk monitoring of WFP's cooperating partners, and establishment of the country's risk appetite statements to help management take risk informed decisions.



9. Among WFP's highest priorities in Yemen are gaining access to its beneficiaries and obtaining the data needed to target and manage assistance to the most vulnerable. Bureaucratic hurdles and restrictive regulations severely impact WFP's ability to complete nationwide beneficiary targeting and biometric registration exercises. This issue has been previously identified in management oversight reports, and is key to mitigating the risk of fraud, diversion and misuse of humanitarian aid. At the time of the audit mission, the country office had biometrically registered 2.3 million (18 percent) out of the estimated 13.0 million beneficiaries, mainly in the southern areas.

10. In the absence of full biometric digital records to enable the exhaustive verification and deduplication of beneficiary identities, the country office had to rely on controls such as reviewing and validating spreadsheet-based beneficiary lists and comparison of biographic information in SCOPE, which did not provide complete assurance that the right assistance went to the right individuals. Further management action is necessary to mitigate persisting risks of inclusion errors. Among these, the country office should update the biometric registration scale-up plan for the northern areas; complete biometric beneficiary deduplication; and establish further mitigating controls to rationalize beneficiary lists if biometric registration and verification efforts do not advance as expected.

11. Previous management oversight missions recommended controls to mitigate the risk of food substitution and diversion. The audit found that these were either partially implemented or discontinued due to operational priorities, resource and COVID-19 related constraints. As a result, residual risks associated with food movements increased. The selection of commercial entities providing goods and services was constrained by the availability of vendors with sufficient capacity and licenses. This resulted in the provision of potentially incompatible services that would have been otherwise segregated to mitigate potential fraud risks. The audit identified opportunities to further improve the efficiency of logistics operations, including completing a logistics services assessment and review of shortlisted vendors, and consolidating the warehouses at Bajil in northern Yemen.

12. In 2021, WFP assisted 2.2 million beneficiaries using paper commodity vouchers. The country office developed a web-based voucher registration log, to prevent unauthorized or fraudulent use of paper vouchers. The country office has not completed the roll-out of the automated voucher registration log although the commodity transfers under this modality reached USD 196 million in 2021. The country office relied on interim manual workarounds, limiting its ability to track and reconcile paper vouchers and detect errors and discrepancies in real-time efficiently and reliably. At the time of the audit reporting, due to severe funding constraints, the country office transitioned from using paper commodity vouchers to in-kind food assistance.

13. Controls in programme monitoring were generally established and functioning. The monitoring strategy and standard operating procedures should be updated to reflect current conditions and practices. Further enhancements of automated systems would help improve the management of beneficiary hotline cases and field monitoring reports, and provide insights into recurring issues and programme implementation. There is an opportunity to assess the technical reporting line of field monitoring staff to ensure harmonized implementation of procedures, and to strengthen coordination and oversight.

Actions agreed

14. The audit report contains two high-priority 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!

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

Yemen

16. Yemen is classified as a low-income food-deficit country and relies on food imports for its internal needs. Over 19.0 million people (nearly 60 percent of the total population) are estimated to experience food insecurity at crisis levels or above in 2022.¹ Over 4.3 million people were internally displaced at the end of 2021, with approximately 26 percent of displaced households headed by women.² The country ranked 162nd out of 163 countries on the 2021 Global Peace Index and 179th out of 189 countries on the 2019 Human Development Index.

17. The country continues to be divided into two main areas: one under the control of the Sana'a-based authorities (SBA), and the other controlled by the Internationally Recognized Government of Yemen (IRG).³ In 2021, the country's economic crisis worsened with the depletion of foreign reserves and rising global commodity prices, hampering critical food imports. In addition, a year-long fuel crisis deepened in 2021, with official fuel imports through Al Hodeidah port down 69 percent from 2020. These deteriorating economic trends affected the availability, access to and affordability of food in the country.

18. In addition to the challenging economic and political context, the operating environment was characterized by widespread insecurity and active conflict, especially in the central governorate of Ma'rib. Access constraints, restrictive regulations, violence against humanitarian actors and COVID-19-related restrictions also presented challenges to humanitarian operations.

WFP operations in Yemen

19. The country office launched its 2019–2020 Interim Country Strategic Plan (ICSP) in January 2019 with an initial budget of USD 3.3 billion. After five budget revisions, its duration was extended for two years until December 2022, reaching a total prioritized budget of USD 8.7 billion. According to the 2021 Annual Country Report, cumulative expenses incurred as of December 2021 under the ICSP were USD 4.2 billion.

20. WFP assisted 15.5 million beneficiaries in Yemen in 2021 (12.1 million residents and 3.4 million internally displaced persons) mainly through unconditional resource transfers, supplemented with nutrition activities, asset creation and livelihoods activities, and school-based programmes.⁴ In 2021, the country office delivered 1.1 million metric tons of food, transferred USD 173 million in cash and USD 196 million through commodity vouchers to beneficiaries. As of December 2021, due to funding constraints, the country office implemented a prioritization strategy and reduced the size of food rations distributed to beneficiaries, to avoid interruptions of food assistance to the most food-insecure people.

21. The country office worked with a wide range of partners to implement its activities, including national and international non-governmental organizations (NGOs), local authority partners and other United Nations organizations.⁵ In 2019, the country office signed an agreement outlining the principles for collaboration on beneficiary targeting and biometric registration with the Supreme Council for the Management and Coordination of Humanitarian Affairs, an SBA entity. The agreement is key to addressing potential risks identified in previous oversight reports regarding beneficiary targeting and the right level of assistance, delivering a principled response in Yemen and scaling up cash-based-transfers (CBT) in northern areas. WFP implemented

¹ Yemen Integrated Food Security Phase Classification (IPC) for the period June to December 2022.

² Draft Yemen Interim Country Strategic Plan (2023–2025).

³ *Supra* note 2.

⁴ WFP Yemen Annual Country Report 2021.

⁵ Such as the World Health Organization and the United Nations Children's Fund, on the delivery of nutrition activities, and with the United Nations Development Programme, the Food and Agriculture Organization of the United Nations, and the International Labour Organization on the implementation of resilience and livelihoods activities.

the school feeding programme in the northern areas, with the School Feeding and Humanitarian Relief Project, a registered NGO established to coordinate school feeding activities on behalf of the SBA's Ministry of Education.

22. In the southern areas, and with the support of cooperating partners and financial service providers, the country office delivered assistance through three modalities with CBT (including commodity vouchers through traders' network) having the highest caseload. Assistance was also provided through commodity vouchers with the support of wholesale traders and cooperating partners. School-based programmes were implemented in partnership with the IRG's Ministry of Education.

Objective and scope of the audit

23. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control processes relating to WFP operations in Yemen. Such audits contribute to an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

24. The audit focused on three activities within the 2019–2022 ICSP, under strategic outcomes 1, 2 and 3, representing 87 percent of expenses incurred in 2021:

- Strategic Outcome 1 – Activity 1: Provide life-saving food assistance to severely food-insecure households.
- Strategic Outcome 2 – Activity 2: Provide nutrition assistance to treat and prevent malnutrition.
- Strategic Outcome 3 – Activity 5: Support community infrastructure rehabilitation and livelihoods through food assistance for assets.

25. The Office of Internal Audit developed a country office audit approach, which was applied to all 2021 audits, focusing on the key controls in five areas of the end-to-end delivery process as detailed in figure 1.

Figure 1: Areas covered by the 2021 audit approach



26. The internal audit of Yemen builds on this 2021 approach, complementing it with a risk-based audit methodology to determine the priority focus areas. As a result, the areas in scope for the audit were: beneficiary management; CBT; supply chain, comprising procurement, logistics and commodity management; and monitoring. Additionally, the audit carried out a tailored review of selected key controls in the management of cooperating partners, access management, finance and resource management.

27. The audit mission took place from 8 to 26 May 2022 at the country office in Sana'a, with visits to field offices in Aden, Al Hodeidah and Ibb. In 2021, there were no management oversight missions from headquarters or the Regional Bureau for the Middle East, Northern Africa and Eastern Europe (RBC) to monitor the implementation of corporate processes and the country office's performance in the areas of beneficiary management, CBT, procurement, logistics, commodity management and monitoring. An Inter-Agency Humanitarian Evaluation report of the Yemen crisis,⁶ commissioned by the Inter-Agency Humanitarian Steering Group, was issued during the audit reporting phase. The evaluation findings including positive practices relevant to WFP's operations in Yemen were considered in presenting the observations of this report.

28. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

⁶ An independent assessment of the results of the collective humanitarian response by member organizations of the Inter-Agency Standing Committee aimed to evaluate the extent to which planned collective results have been achieved.



III. Results of the audit

Audit work and conclusions

29. The five observations arising from the audit are grouped into sections corresponding to the functional areas covered (see paragraph 26).

30. A simplified standard process diagram is included for each 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-priority and yellow for medium-priority observations). Any other issues arising from the audit that were assessed as low priority were discussed with the country office directly and are not reflected in the report nor included in the diagrams.

Beneficiary management

31. The country office used a combination of standard SCOPE⁷ solutions and a set of spreadsheets to support its beneficiary management processes. Out of 15.5 million beneficiaries assisted in 2021, 2.3 million from the southern areas were biometrically registered and assisted through standard SCOPE solutions as of December 2021 (up from 750,000 in 2019). The remaining 13.2 million, mainly under general food assistance and nutrition activities in the northern areas, were registered in spreadsheet-based databases or through other manually completed systems.

32. Following the recommendations of the 2020 internal audit⁸ and the agreement with SBA in February 2020, the country office deployed and tested a joint data centre to manage biometric registration in the northern areas. In June 2021, the Office completed a pilot biometric registration exercise for approximately 60,000 beneficiaries, documenting the lessons learned from the exercise. The country office also issued a protection and accountability strategy (2021–2023) to integrate protection across activities and operations, mitigate safety risks for affected communities, and expand the impact and inclusiveness of food assistance.

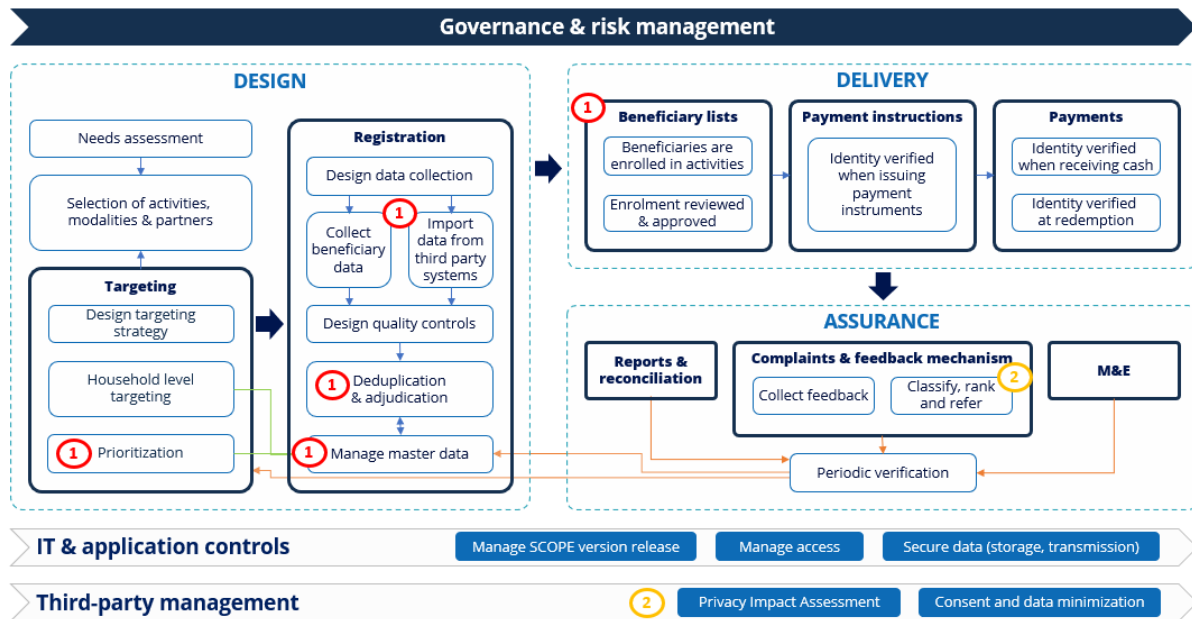
33. Overall, key controls related to developing the targeting strategy and periodic beneficiary verification were established and operating effectively (see details in Figure 2 next page). In 2021, the beneficiary verification mechanism conducted 272,000 calls to beneficiaries to validate their regular receipt of WFP assistance. The country office implemented a series of actions to mitigate risks related to beneficiary data management and potential manipulation of beneficiary lists by cooperating partners, including monitoring activities, beneficiary verification, a hotline and enhanced complaints and feedback mechanism (CFM), and the use of SCOPE in the southern areas.

⁷ WFP's beneficiary information and transfer management platform.

⁸ Internal Audit of WFP Operations in Yemen, report AR/20/03 – January 2020.



Figure 2: Control test results for beneficiary management



Observation 1: Biometric registration of beneficiaries

34. The following aspects of the beneficiary biometric registration required further management action to mitigate risks to the country office’s ability to target the most vulnerable population,⁹ continuously provide the right level of assistance, and have necessary controls over its program implementation. These risks were identified in previous oversight reports, which persisted at the time of the audit.

Status of biometric registration

35. The country office was in the process of biometrically registering beneficiaries following tailored approaches for SBA and IRG controlled areas. As previously identified at the time of the audit mission, the registration process was far from completion with another 10.6 out of 12.9 million estimated individuals¹⁰ yet to be registered in SCOPE. In the absence of full biometric registration, the risk of inclusion and exclusion errors may persist until the exercise is completed.

36. The draft ICSP 2023–2025 assumes that complete country-wide biometric registration will be achieved within planned timelines and does not foresee any significant risks to the process. The audit noted that the draft ICSP does not reflect and consider the following challenges faced by the country office in the roll-out of the biometric registration:

- Northern areas: The country office’s scale-up plan to biometrically register 9.6 million beneficiaries following the pilot phase¹¹ had not started by the time of the audit mission. The plan had also not been revised to incorporate lessons learned from the pilot, updated timelines and risks detected. While contextual and operational risks continued to affect the scale-up implementation, contingency plans had not been put in place to address the risks related to beneficiary information management in case biometric registration did not proceed as planned, and deal with risks in the interim. At the time of the audit mission, the country office indicated that there were ongoing discussions with the SBA regarding

⁹ Consistent with the findings of the Inter-Agency Humanitarian Evaluation of the Yemen crisis on Targeting (section 3.2).

¹⁰ Unique beneficiaries assisted by WFP net of overlaps (beneficiaries assisted in two or more programmes or activities).

¹¹ Between July 2021 and May 2022.



plans to commence the next phase of biometric registration and that the authorities had not approved the proposed scale-up plan.

- Southern areas: The IRG issued a communication in December 2021 directing local authorities not to grant permission to any organizations to perform biometric registration activities. At the time of the audit mission, biometric registrations were on hold. The country office was awaiting authorization to resume the process and finalize the registration of 1.1 million beneficiaries.¹²

Beneficiary deduplication and prioritization

37. In the absence of a fully digitalized beneficiary management solution for the northern areas, supported by biometric data, the country office adopted alternative procedures to review and validate its spreadsheet-based beneficiary lists. These procedures entailed deduplication within cooperating partners' lists, and between cooperating partners working in the same governorate, but not across governorates. Spreadsheet-based deduplication processes could be inherently vulnerable to errors, manipulation, and provide a lesser level of assurance than automated digital biometric comparisons. The effectiveness of spreadsheet-based deduplication was further challenged by the scale of relief operation in Yemen and the use of multiple types of identity documents by beneficiaries.

38. As an interim measure, the country office planned to use biographic data in SCOPE¹³ to deduplicate records from August 2022 until biometric registrations were finalized. This plan was not carried out as scheduled. The standard operating procedures (SOPs) on deduplication, issued in May 2022, were based on the full implementation of SCOPE (including collecting biometric data). Details of how the biographic data would be used to deduplicate records during the transition period until full implementation were not yet available at the time of the audit mission.

39. Due to significant resource shortfalls and after extensive dialogues with authorities, the country office employed a tiered assistance approach, implementing a geographical prioritization of its relief programme in January 2022. The activities were implemented assuming that all geographically targeted and registered beneficiaries within a governorate needed equal assistance. This was not in line with the recommendations from the Food Security and Agriculture Cluster for beneficiary prioritization. In the context of limited funding, completion of biometric registration would support the retargeting of households based on the evidence of the Food Security and Livelihood Assessment and allow for better prioritization at the household level.

Underlying cause(s): Complex operational context and restrictive and changing government regulations; lengthy and truncated agreements with local authorities regarding targeting and biometric registration; onerous tailored beneficiary data localization requirements by the SBA; access limitations and added layers of complexity for registration and verification through third-party monitors (TPMs).

Agreed Actions [High priority]

The country office will:

- (i) Update the scale-up plan for biometric registration in northern areas, incorporating lessons learned from the pilot, an updated risk assessment, revised timelines, communication outreach to stakeholders, and securing the required authorizations from the Sana'a-based authorities.
- (ii) Develop a contingency and risk management plan to improve detective internal controls and mitigate the risks to beneficiary information management in case biometric registration cannot be undertaken as planned in northern areas or cannot be resumed and finalized in the southern areas.

¹² According to the country office's 2019 Plan for Targeting and Biometric Registration, the total estimated number of beneficiaries to be registered in areas controlled by the IRG was 3.3 million.

¹³ Uploaded from the Excel-based beneficiary lists.



- (iii) Develop and implement interim measures to strengthen beneficiary information management controls while biometric registration and the SCOPE roll-out are being completed in northern areas, including (a) documenting baseline deduplication data (from the 5th distribution cycle of 2022), (b) updating the deduplication standard operating procedures, and (c) managing the centralized beneficiary database and lists of beneficiaries (considering encryption, access controls and regular reporting).
- (iv) Review and implement where appropriate the normative guidance proposed by the Food Security and Agriculture Cluster, to strengthen vulnerability assessment and targeting mechanisms. Update household targeting criteria to support the update of existing beneficiary household lists and facilitate beneficiary household retargeting.

Timeline for implementation

30 April 2023

Observation 2: Updates to accountability mechanisms

Complaints and feedback mechanism

40. Since the last internal audit, the country office has steadily improved its CFM, implementing the SugarCRM corporate solution,¹⁴ adopting a detailed SOP for case management and escalation, and operating a publicly disseminated toll-free telephone hotline.

41. The audit team identified opportunities for further improving the CFM, including:

- Beneficiaries who are illiterate, disabled or who do not have access to telephones may need additional support or alternative channels to access WFP with complaints or queries.
- Based on the training for hotline operators, calls from non-beneficiary and/or inactive beneficiaries were closed through first-level resolution, explaining to callers that standard criteria and processes were used in targeting beneficiaries. These calls might indicate limited understanding by non-targeted communities of WFP's targeting criteria and activities and the need for additional follow-up and sensitization action.
- The current process focuses on case management. Regular dashboard-type reports aggregate categories of cases, yet they do not provide higher-level analyses of recurring issues to inform actions and programmatic activities in the future.

Privacy impact assessment

42. At the time of the audit mission, a privacy impact assessment (PIA) for the northern areas had not been carried out. A PIA was completed for southern areas in 2020, which identified certain data privacy and protection risks and related mitigation measures; it needed to be updated to reflect changes in the context and operations, as envisaged in the country office's protection and accountability to affected populations strategy. Considering the country office's plan to scale up beneficiary data collection after the pilot biometric registration for the northern areas in June 2021, updated PIAs were needed to define WFP's data privacy and protection posture, risk appetite, and to enter into negotiations and agreements with authorities regarding the processing of beneficiaries' personal information.

Underlying cause(s): Enhancements to the CFM process focused on improving case intake and management, with less priority given to case aggregation and reporting as well as analysis of recurring issues; reliability of mobile phone networks and universal ownership of mobile phones, suggesting the risk that a large number of

¹⁴ WFP's customer relationship management system.



food distribution points cannot be reached solely through the existing hotline;¹⁵ and contextual challenges impeded the completion of the PIA in northern areas, including restrictions on data collection imposed by local authorities.

Agreed Actions [Medium priority]

The country office will:

- (i) Incorporate into the existing standard operating procedures a process defining the roles and responsibilities for analysing and escalating of common, recurring issues, and the related root causes identified through calls to the hotline.
- (ii) With support from headquarters and the regional bureau as needed, identify and incorporate, where cost effective, culturally appropriate and feasible, additional channels, mechanisms and awareness activities to enhance the effectiveness of the complaints and feedback mechanism, and ensure a better understanding of WFP activities and targeting criteria.
- (iii) Conduct privacy impact assessments for the northern areas and assess the need for an updated privacy impact assessment for the southern areas, considering the validity of the assumptions and context of the 2020 assessment.

Timeline for implementation

30 June 2023

Cash-based transfers

43. Cash based transfers (CBT) constituted 30 percent of the country office's total transfers to beneficiaries in 2021 through two mechanisms: cash transfers through FSPs and commodity vouchers through traders' network (CV-TN).

44. Cash transfers through FSPs mainly covered the southern areas and represented 47 percent (USD 173 million) of CBT transfers in 2021. This delivery mechanism uses SCOPE (closed-loop system) and the services of a microfinance bank prefinancing all transfers, thus reducing WFP's financial risk. There were no reportable findings and key controls tested were generally observed to be operating effectively.

45. Launched in February 2016, the CV-TN delivery mechanism leverages existing food import, supply and distribution networks in Yemen and is implemented through a network of five traders¹⁶ and eight cooperating partners. In 2021, WFP assisted 2.2 million beneficiaries through this delivery mechanism issuing an average of 270,000 paper commodity vouchers per month with a transfer value of USD 16 million. Traders are reimbursed for traded-in vouchers at agreed prices following the submission of redemption reports.

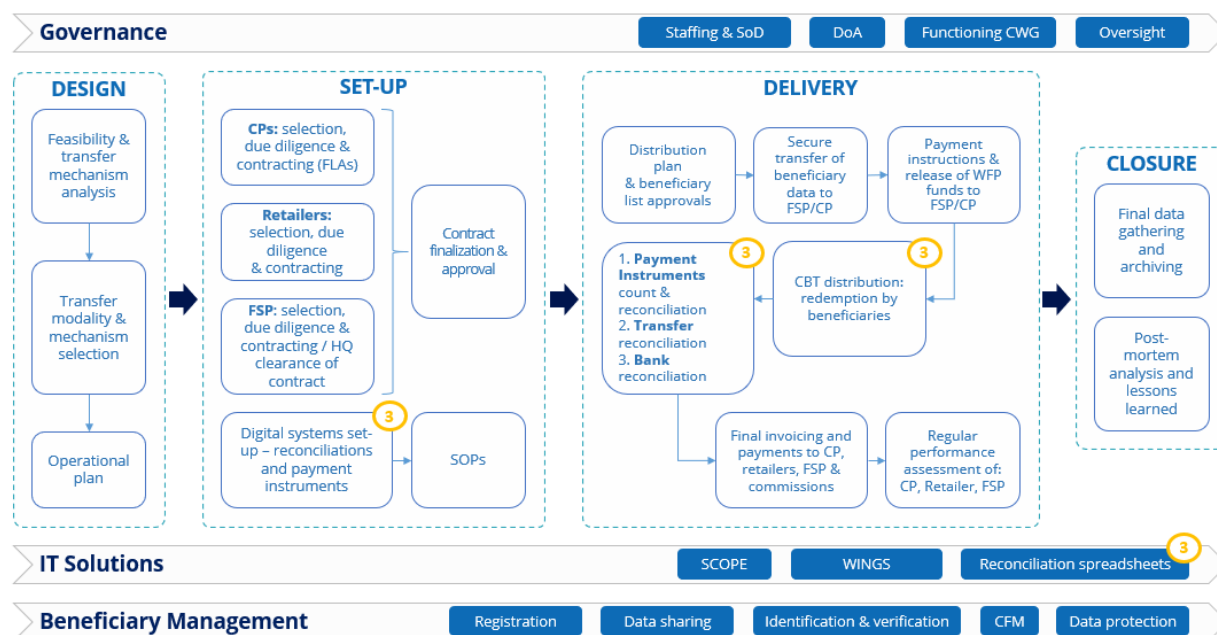
46. The country office locally developed the voucher registration log (VRL), a web-based tool to prevent unauthorized or fraudulent use of vouchers.¹⁷ The tool's purpose was to closely monitor and track paper voucher movements and reconciliation, replacing manually completed spreadsheets. The development started at the end of 2020 and is in line with the field software development network framework established by the Technology division. VRL is hosted in the corporate data center.

¹⁵ Following a recent assessment, the country office indicated that it would assess the effectiveness of its reporting channels and current awareness raising activities.

¹⁶ Traders managed their own network of outlets across Yemen. There were 327 outlet locations in 2021.

¹⁷ In response to an internal audit recommendation raised in 2020.

Figure 3: Control test results for CBT



Observation 3: Commodity vouchers through traders' network

Voucher registration log roll-out status

47. The last internal audit (footnote 8) highlighted the risks of manually tracing paper vouchers and recommended developing an automated solution. Although the country office has developed VRL, the tool has not yet been fully rolled out nor systematically used as intended.¹⁸ At the time of the audit mission, the country office used parallel manually entered spreadsheets to track voucher movements, distributions and redemptions.¹⁹ Using spreadsheets to track vast amounts of vouchers across 327 distribution points affected the country office's ability to trace these and detect errors and discrepancies efficiently. As indicated in the last internal audit and prior management oversight missions, a paper voucher transfer mechanism without robust information systems and automated controls is inherently hard to manage and control and is more vulnerable to potential manipulation and fraud.

48. During the audit reporting phase, and due to severe funding constraints, the country office shifted from using the CV-TN modality to in-kind food assistance. Suggested actions regarding the full roll-out of the VRL to support CV-TN operations were discussed with the country office and are no longer reflected in this report.

Paper voucher reconciliation and tracking

49. The country office has yet to fully roll out and systematically use the VRL's automated functionality to reconcile and identify discrepancies between distribution reports (from cooperating partners) and redemption reports (from traders). VRL's last discrepancy updates were for the May 2021 cycle for redemption reports and the March 2021 cycle for distribution reports. As a result, the deductions of discrepancies from trader accounts for 2019 and 2020 were processed only in 2022, while deductions for 2021 discrepancies were yet to be processed.

¹⁸ Initial user acceptance testing sign-off was completed in September 2020. VRL was not implemented in two field offices visited during the audit mission – Ibb and Al Hodeidah.

¹⁹ The VRL system requires cooperating partners and traders to upload Excel reports in which individual serial numbers of paper vouchers are manually encoded.



50. At the time of the audit mission, the VRL system reports were not fully updated and were incomplete, as the VRL had not yet been rolled out. A comparison of monthly voucher redemption data provided by the country office Supply Chain unit and data generated from VRL showed discrepancies that the audit team traced back to erroneous input/upload by external parties (suppliers and cooperating partners).

Voucher registration log system development

51. Changes to the VRL system were requested from the developer either formally through emails or informally through verbal requests and were not systematically logged. Unauthorized and undocumented system change requests may not align with the system's objectives and intended scope. The ticketing to register change requests included ad-hoc tickets in 2021; it was consistently used from June 2022, after the audit mission. Key change requests could not be easily traced back to the relevant system tickets.

52. VRL software developer, tester and system administrator roles were not segregated and were assigned to the same country office staff. Although there was a process to make changes to the source code and more than one developer was working on VRL, a developer could make changes to the production database. Software developers should not have access to the database in the production environment. During the audit reporting phase, the country office initiated some corrective actions to separate incompatible duties in VRL.

53. VRL tests were performed informally, without the rigor of formal test procedures designed to prevent major disruptions to the system users or system malfunctions. The audit did not find evidence of predefined test cases or test logs. The country office provided one signed user acceptance testing, completed in September 2020, which listed system general requirements without defined test cases. This practice increases the risk of undetected system and regression errors. For example, one error noted as part of the audit test was that the VRL generated reports for 2021 that included an error in calculating the total vouchers distributed, which could be exploited to conceal manipulated information.

54. With the country office's decision to phase out the CV-TN modality, suggested actions to strengthen controls in the VRL system development process were discussed with the country office and are no longer reflected in this report.

Underlying cause(s): Limited buy-in from and engagement with relevant stakeholders in transitioning to VRL; slow pace and unwillingness of cooperating partners and field offices (used to spreadsheets) to adopt new VRL systems; full user acceptance testing yet to be completed; and segregation of duties in the system (software developer, tester and system administrator) not previously prioritized.

Agreed Actions [Medium priority]

The country office will:

- (i) Fully reconcile vouchers distribution and redemption records, and deduct any discrepancies identified for the suppliers/traders, in view of the country office's decision to phase out the CV-TN modality.
- (ii) Develop a lessons learned document covering CV-TN procedures and application, incorporating the audit findings. Consider key lessons learned when developing standard operating procedures for the new voucher mechanism in line with the country office's 2023-2025 Programme strategy.

Timeline for implementation

31 March 2023



Supply chain

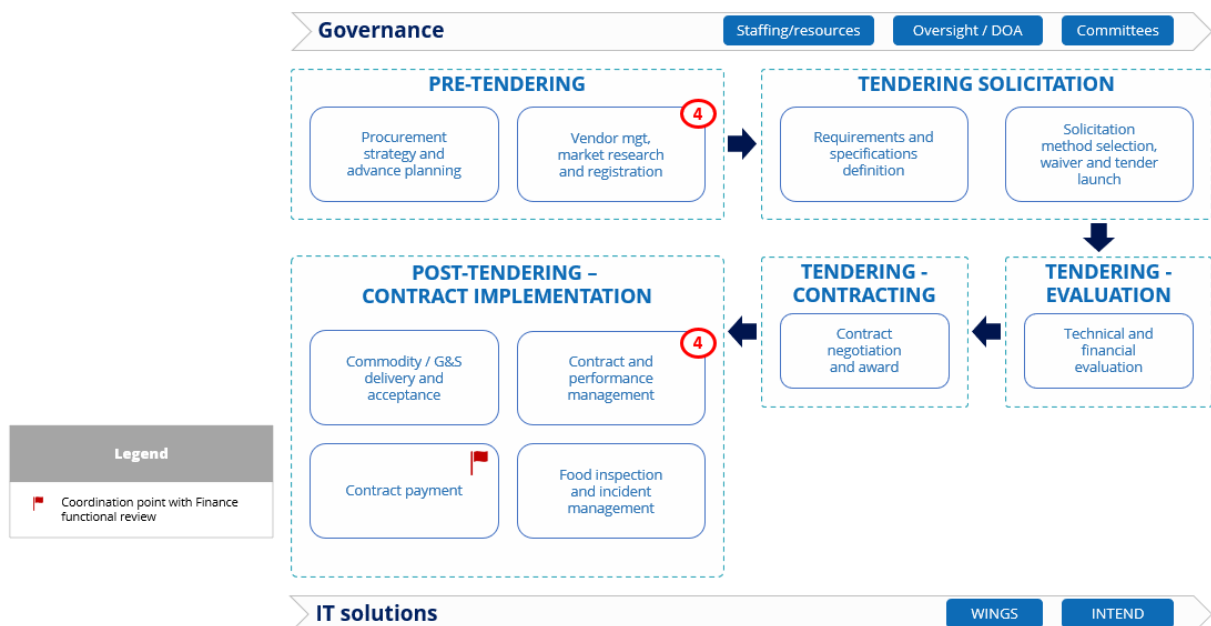
55. The audit tested key controls related to the core supply chain activities such as procurement, logistics contracting and operations, commodity management, port and milling operations, and food safety and quality.

Procurement

56. In 2021, the country office imported 88 percent of the food commodities used in the programme²⁰ and sourced the remaining 12 percent locally, thereby mitigating local procurement-related risks for the majority of the country office's food procurement. Most of the services procured related to programme implementation including contracting of FSP, TPMs and consulting vendors for various assessments and surveys. The audit reviewed local procurement of food and services and tested key controls of governance, contracting, contract execution, food safety and quality, and supplier due diligence and performance monitoring.

57. The vendor management committee and local procurement contract committee were operational. The country office improved its management of food quality by increasing its personnel capacity, updating the scope of work for quality and quantity inspections and, where appropriate, adjusting its procurement strategy in response to food quality issues with local vendors. Upon the request of the country office, and considering the materiality and operational context, the goods and services procurement unit of the Supply Chain division (at headquarters) was contracting food supply and distribution traders under the CV-TN modality. The audit noted this as a good practice to help mitigate contracting, fraud and corruption risks.

Figure 4: Control test results for procurement



²⁰ 59 percent of imported food was procured through the Global Commodity Management Facility; 26 percent was in-kind contribution; and 3 percent was procured through the regional bureau.



Logistics

58. The country office divided its logistics operations into two operational zones, as transportation between the southern and northern parts of the country is not possible.²¹ Each operational zone had its contracts in place for all logistics services. The country office indicated that its zonal approach prevents the risk of trucks and food getting turned back or seized when moving from one area of control to another.

59. The country office was overseeing the milling of a substantial quantity of imported wheat into flour at the ports of Aden, Al Hodeidah and Saleef.²² The country office has set up five extended delivery points to check and store food commodities before onward transportation to final distribution points.²³ The audit tested key controls of governance, logistics contracting and operations, risk management, and monitoring of commodities movement.

60. In 2021, the country office delivered 1.1 million metric tons of food commodities²⁴ to beneficiaries at over 4,000 final distribution points despite unprecedented challenges brought about by the country's operational context, repeated fuel shortages, bureaucratic impediments and the COVID-19 pandemic. As a noteworthy development, the country office transitioned from full tariff-based transport contracting to a hybrid competitive model, increasing competition and the value WFP can gain from transport service contracts.

61. In-country milling operations operated at high standards, and the country office ensured adequate milling capacity to support logistics operations. Moreover, through locally developed digital technologies, the supply chain function enhanced controls over the allocation of transport orders and visibility of commodity movements. The audit also observed a marked improvement in the implementation and use of the holistic tracking system (HTS).²⁵

²¹ The ports of Al Hodeidah and Saleef serve the northern zone, where 75 percent of the total food tonnage (812,000 metric tons) was received and delivered in 2021, while Aden port serves the southern zone.

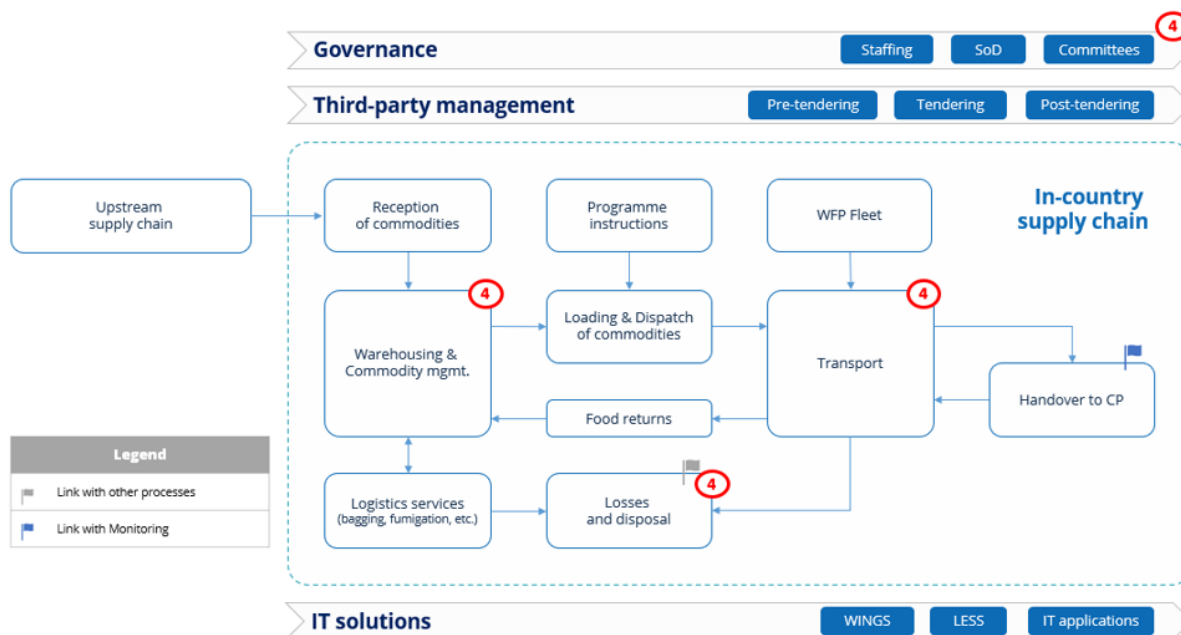
²² Wheat flour constituted 70 percent of the total tonnage of food delivered in 2021.

²³ In Aden, Sana'a, Al Hodeidah, Ibb and Saad'a.

²⁴ 16 percent more than the planned tonnage for 2021 and a 9 percent increase from the actual tonnage delivered in 2020.

²⁵ A digital tool developed locally that unifies all essential supply chain and distribution cycle operations into a single platform. Through HTS, the country office has real-time information on deliveries from both transporters and partners, which facilitates reconciliation.

Figure 5: Control test results for logistics



Observation 4: Logistics operations and vendor concentration

Logistics operations – oversight and risk management

62. In line with the management oversight and assurance missions in 2019, the country office had adopted controls throughout the supply chain to reduce the risk of food substitution and diversion, including (a) establishing warehouses at five extended delivery points (EDPs) for WFP to have checkpoints on food commodities as they move down the supply chain, and (b) improving market and transporter monitoring to identify red flags. Gaps were observed in implementing these controls in 2021, increasing the residual risks associated with food commodity movements.

63. In 2021, the country office moved 50 percent of the total food commodities through EDPs. The other 50 percent (537,000 metric tons),²⁶ mainly wheat flour, was transferred directly from mills and ports to final distribution points (FDPs) due to last-minute receipt of commodities at ports and need for immediate distribution of life saving assistance. This unavoidable arrangement sometimes limited WFP's visibility and control of food commodities during inland transport. Direct delivery of food from mills and ports could potentially increase the risk of transporter-managed transshipment, an arrangement previously identified as susceptible to food loss, leakage and substitution. The country office indicated that some detective controls were implemented to identify and remediate transporter-managed transshipment.

64. During the audit period, cooperating partners and TPMs reported to WFP alleged food substitution and diversion cases along the supply chain, which the country office was aware of and following up. In 2021, the country office identified food substitution and diversion as potential fraud schemes through a fraud risk assessment of cooperating partners. The allegations received and the risk assessment indicate residual food substitution and diversion risks.

²⁶ Wheat flour made up 78 percent (832,000 metric tons) of the entire quantity of food transferred in 2021, with 65 percent (537,000 metric tons) transferred straight from mills or ports to FDPs.



65. The country office discontinued monitoring WFP food commodities sold in the market and instead implemented several alternate proactive risk mitigation measures.²⁷ Market monitoring, together with the use of EDPs, was instrumental in helping the country office identify and address food substitution and diversion.

Logistics services contracting and assessments

66. The country office has not carried out a comprehensive market assessment of logistics services, which is required to ensure supplier competition and achieve cost efficiency. Shortlisted logistic services vendors (including those supplying transportation and warehouse management) in the northern areas were formally reviewed in 2017, although the number of shortlisted transporters has increased. The vendor shortlisting process for the southern areas underwent a complete revision in 2021.

67. The country office conducted a warehouse consolidation exercise in the southern zone to optimize the number of warehouses per its capacity requirements. The audit noted that, in the northern zone, the Bajil (Al Hodeidah) warehouse was at times underutilized in 2021 due to supply challenges and a rise in direct deliveries to FDPs from ports/mills. The country office explained that periods of high and low storage requirements in Bajil, coupled with the long lead time to acquire official permissions to rent additional warehousing capacity, made it impracticable to rapidly reduce and/or expand warehousing capacity. As a risk mitigation and contingency measure, warehousing capacity was therefore consciously maintained at Bajil. Changes in the 2022 pipeline currently suggest opportunities for consolidation and reduction of storage capacity in Bajil²⁸

Commodity traceability

68. Primary and secondary packaging of most commodities, especially for locally milled wheat flour and other locally purchased commodities, only indicated the manufacturer's batch number and production date. Information to aid downstream traceability of food commodities was limited. Multiple commodity sources and an operating environment where authorities focus on food quality make this particularly important. The country office is rolling out a new HTS module to trace wheat flour by miller's time, date and production line stamp.

Vendor concentration and conflict of interest

69. In 2021, the country office procured 50 percent of the total amount of local food commodities²⁹ and logistics services from five commercial entities. In addition to the country office's reliance on a limited number of suppliers, the audit also noted potential incompatible services provided by these entities.

70. One company was contracted for food supply and distribution under the CV-TN modality³⁰, supply of commodities for in-kind assistance, port operations including milling and storage services, and secondary transport. Two companies belonging to the same group were contracted for CV-TN operations, supply of commodities for in-kind food assistance, primary and secondary transport services, and warehouse leasing. Another company was contracted for primary and secondary transport services and warehouse management

²⁷ Due to the high number of vehicles and the security clearances necessary to transit between locations, the country office deemed not feasible for TPMs to oversee transportation. The country office indicated that the TPM previously carried out ad-hoc monitoring of transporters, which covered a small fraction of WFP trucks. Alternate mitigation measures put in place included embossing of WFP logo on oil bottles to prevent commercial relabelling, and the roll out of alpha-numeric bag marking for increased traceability (currently in Sana'a with expansion to other areas in progress).

²⁸ The warehouse was rented for USD 2.2 million a year, with 80 percent of the rented space being open (no buildings). The country office contracted this warehouse in 2020 when choices were limited, and risk of commodity losses were high due to ongoing conflict and unrest. In 2021, the warehouse lease was renewed for three years (with a termination clause) at a 14 percent cost increase.

²⁹ The country office food procurement strategy substantially reduced local food procurement and compensated it with international and regional food procurements. The 2021 percentage of 50 percent includes CV-TN contracts with substantial values which were procured in conjunction with HQ through a competitive contracting exercise. The exercise concluded that there were only a limited number of companies with the capacity and licenses to operate CV-TN and provide third-party monitoring services which limited the contracted companies in the end.

³⁰ With the country office's decision to phase out the CV-TN modality, related services being provided by existing providers will no longer be procured minimizing the risk of vendor conflict of interest.



services while a third-party monitoring company was engaged for beneficiary verification in the northern areas and country-wide distribution monitoring activities.

71. The risks associated with vendor concentration including conflict of interest, were identified in the prior internal audit report (footnote 8). Since the last audit, the country office has methodically reduced the services contracted to these entities.

72. Underlying cause(s): Supply chain disruptions, upstream resource limitations and downstream increase of priority humanitarian assistance demand shortening lead times; access constraints and a high number of trucks movement; country office prioritized market assessments and updates to shortlisted vendors in the southern zone as northern zone posed significant operational challenges; mobility restrictions due to COVID-19 and active conflict; short term constraints of storage options in Al Hodeidah; unclear corporate guidance for managing third party risks; and a small number of entities able to provide required goods, services and access in Yemen.

Agreed Actions [High priority]

The country office will:

- (i) In consultation with relevant the regional bureau and headquarters units, assess the residual risks of product substitution, losses, and food diversion, considering the present operating environment and demands as well as controls previously recommended by oversight reports.
- (ii) Complete a market assessment and shortlisting exercise for northern zone of key logistics services, including customs clearance, primary and secondary transport services, warehouse storage and warehouse management.
- (iii) Evaluate and rationalize storage requirements against existing contracted capacity for the Bajil warehouse.
- (iv) Formalize the process of downstream commodity traceability in a country-specific guideline.
- (v) Analyse third party risks, including vendor concentration and possible conflict of interest linked to vendors providing a range of potentially incompatible services, and strengthen monitoring of mitigating measures.

Timeline for implementation

30 June 2023

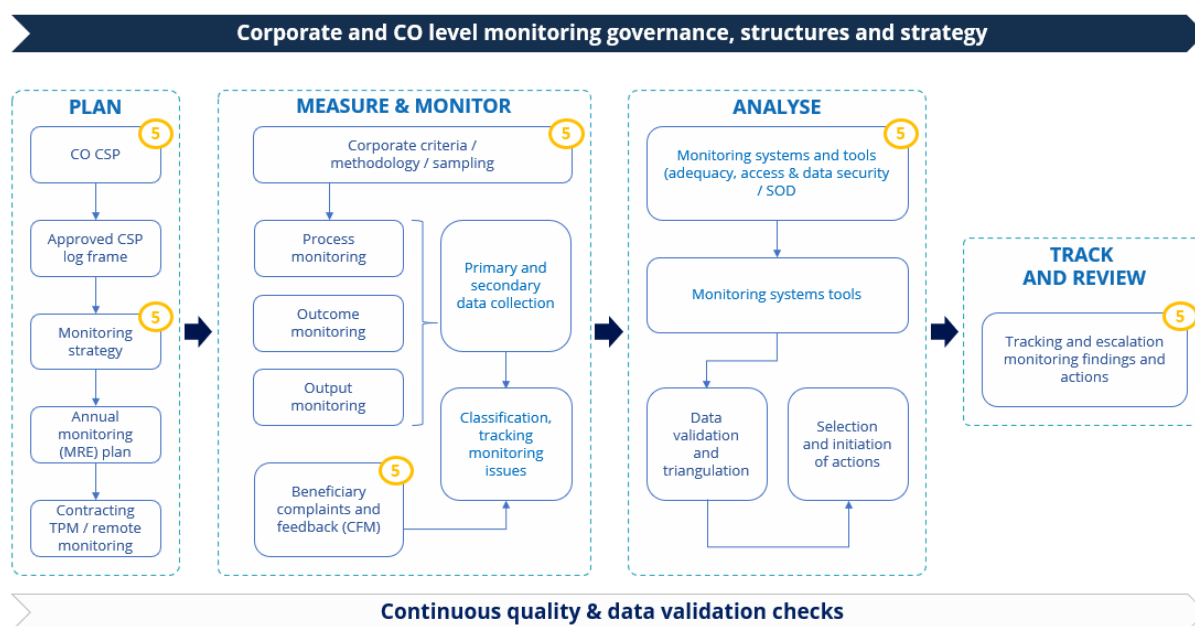
Monitoring

73. The volatile security situation in Yemen prevents WFP from accessing some areas of the country. To overcome access challenges, the country office relies on TPMs. Activity/on-site monitoring, post-distribution monitoring, case studies and other special studies that require primary data collection and field visits are outsourced to TPM companies.³¹ WFP Yemen also contracts a specialized call centre operating from Amman (Jordan) to conduct remote call monitoring,³² whereby WFP beneficiaries are randomly selected to obtain information at the process, cross-cutting and outcome levels.

74. In 2021, TPMs completed around 30,000 field visits or 92 percent of planned on-site monitoring visits for the year, which covered over 7,500 general food assistance and nutrition activity sites throughout Yemen. This high level of coverage resulted in each food distribution point being visited on average four times a year. In addition, the country office and the Amman call centres completed 408,000 remote calls,³³ an average of 34,000 calls per month, complementing in country process monitoring and beneficiary verification efforts.

75. In 2021, the country office completed one food distribution cycle within three months³⁴ on average due to operational challenges including delays in food commodity arrivals at cooperating partners and distribution points. As of May 2022, the country office had completed two distribution cycles planned for January and March 2022, whilst the third distribution cycle planned for April was ongoing, funding constraints were resulting in delays. Completion of the 2022 food distribution cycles were further extended.

Figure 6: Control test results for monitoring



³¹ WFP Yemen Monitoring and Evaluation Strategy (October 2019).

³² Call interviews are conducted monthly and cover beneficiaries receiving general food assistance through in-kind and voucher transfers.

³³ Includes 272,000 calls made for beneficiary verification in 2021 mentioned in paragraph 32.

³⁴ For example, planned food distribution for April 2021 was completed in June 2021.



Observation 5: Monitoring strategy, structure, systems and procedures

Strategy, standard operating procedures and reporting

76. At the time of the audit mission, the country office's monitoring strategy (published in 2019) and relevant SOPs (dated 2017) had not been updated to reflect current practices, monitoring activities and team structure, and to support monitoring requirements of the upcoming ICSP (2023–2025).

77. The sampling approach carried out by field offices was not comprehensively outlined in the SOPs, particularly standardized criteria in the selection of high-risk FDPs for TPM visits and follow-up. Risk criteria are needed to rate or classify FDPs according to risk, which could inform the sampling process and ensure focused monitoring.³⁵ The third and fourth quarterly monitoring reports for 2021 were delayed due to limited staffing, a matter resolved already at the time of the audit mission. At the time of the audit mission, a preliminary update on the SOPs had been undertaken and was yet to be finalized.

78. Further, the distribution cycles in 2022 were no longer carried out monthly due to insufficient funding. This required a reassessment of monitoring coverage and existing arrangements with field monitors and TPMs to maintain current coverage targets, as well as an update of the beneficiary reporting methodology.

Reporting line of field office monitoring staff

79. Field monitoring staff did not have a formal reporting line to the country office's M&E unit. This may have contributed to the limited visibility, coordination and consistency of monitoring activities across the country office. Considering that monitoring activities are decentralized at the field office level,³⁶ a reporting line regarding substance could enhance a harmonized implementation of procedures and strengthen existing coordination and oversight mechanisms.

Monitoring and Evaluation Findings database

80. The Monitoring and Evaluation Findings (MEF) database,³⁷ is used by the country office and partners' staff to integrate monitoring findings and the follow-up process. At the time of the audit mission, the country office was transitioning from MEF to SugarCRM, a corporately supported platform, with a pilot test scheduled for June 2022 and then full transition to SugarCRM by October 2022.³⁸ At the time of the audit mission in May 2022, the roll-out plan for SugarCRM, including system design-related tasks and system requirements, was still in progress. While MEF is still being used, the country office needs to address some areas requiring improvement. A review of MEF in the course of the audit highlighted areas of improvement to be considered in the deployment of SugarCRM, including:

- Need for consolidated results, including narratives of thematic issues and categories with assessments of probable causes and recommendations to inform programme implementation arrangements;
- Need for visibility by TPMs of the outcome and resolution status of the issues raised for action in the system; and
- Improved systems' alerts and notifications for the implementation and closure of findings inputted into the system.

81. Regarding this last point, the audit noted delays in closing outstanding 2021 cases, including: (a) for very high-risk findings, around 80 percent (1,602 cases) have been actioned and assessed "for closure" by the relevant unit heads but have not been formally closed by country office management while 20 percent (437 cases) were

³⁵ As raised in a previous oversight report.

³⁶ M&E SOPs (dated 2017) on: (a) decentralization of M&E activities; and (b) monitoring plan for on-site distribution monitoring visits.

³⁷ Locally developed by the country office and implemented in the second half of 2019.

³⁸ Originally planned to be completed by mid-2022.



overdue but have not been acted upon; and (b) for high-risk findings, 84 percent (10,533 cases) have been actioned and assessed “for closure” but have not been formally closed by country office management while 16 percent (1,962 cases) were overdue but have not been acted upon.

82. TPMs input monitoring findings into MEF for verification by relevant country office units and partners. Upon closure, TPMs do not see the outcome and resolution of the issues raised. There is an opportunity for the country office to establish a formal feedback loop to TPMs on how relevant monitoring issues were handled and resolved. This will enhance engagement with TPMs and communication with beneficiaries.

Underlying cause(s): Restructuring and consolidation of M&E and Vulnerability Analysis and Mapping units contributing to the insufficient number of M&E staff in 2021;³⁹ scale-up of programmatic/analysis activities (to deepen the evidence supporting targeting and prioritization) drawing resources away from monitoring; conflict and COVID-19 pandemic-driven access restrictions; funding constraints; and system reporting functionality to consolidate analyses of findings and root causes not considered during its development.

Agreed Actions [Medium priority]

The country office will:

- (i) Update the monitoring strategy and its standard operating procedures to include sampling and FDP risk-rating methodologies; standard timeline for the preparation, review and issuance of monitoring reports including periodic analysis to capture recurring issues and root causes; and beneficiary reporting methodology.
- (ii) Assess the technical reporting line of field office monitoring staff and strengthen the framework for coordination, reporting and knowledge sharing of monitoring-related activities.
- (iii) Review and update the SugarCRM transition roll-out plan.
- (iv) Develop an action plan, including a review of accountability levels and age of observations to close long-outstanding Monitoring and Evaluation findings cases.

Timeline for implementation

30 June 2023

Management of cooperating partners

83. In 2021, the country office worked with 32 cooperating partners to implement ICSP activities, including 14 national NGOs, 13 international NGOs and five local partners. The management of these cooperating partners was challenged by contextual and operational conditions, such as access constraints, bureaucratic hurdles and restrictive regulations. The country office risk register also identified two main risks related to the selection and capacity of cooperating partners. The audit completed a review of this area focusing on partner selection, capacity assessment and due diligence, and performance evaluation processes.

84. The country office initiated in 2021 several improvements in the management of cooperating partners. These included the completion of formal performance evaluations and significant reductions in the average payment processing times, down to 54 days from six months in 2019. In collaboration with the regional bureau, the country office conducted a fraud risk assessment focusing on cooperating partner management, which resulted in the alignment and systematic tracking of cooperating partner-related risks in the country office risk register.

³⁹ At the time of the audit mission, the country office indicated that this issue had been resolved with the recruitment of additional staff.



85. In terms of capacity-building activities, the country office conducted several trainings for cooperating partners during 2021 and 2022, and recently initiated the development of improvement plans in coordination with the field offices.

86. There were no reportable findings in this area.

Access management

87. The country office risk register listed risks⁴⁰ linked to WFP's ability to physically access programme activity locations across Yemen and identified associated mitigating actions. The audit focused on the implementation of mitigating actions related to: (a) communication channels available to beneficiaries, and the implementation of the 2019 agreement with the SBA for targeting and biometric registration of beneficiaries; (b) the country office's capacity to negotiate access and ensure unimpeded access for staff and remote monitoring arrangements; and (c) addressing fraud-related risks in the supply chain, including tracking food transportation.

88. The country office developed an access strategy for 2021–2022 aiming to work with stakeholders to ensure safe, secure and effective humanitarian access to reach the most vulnerable people affected by conflict and/or natural disasters. In line with the strategy and in coordination with other United Nations agencies, the country office carries out periodic safety and security assessments of regions and specific districts/governorates. These assessments inform programme implementation arrangements.

89. Findings linked to targeting and biometric registration of beneficiaries are detailed in [Observation 1: Biometric registration of beneficiaries](#) and [Observation 2: Updates to accountability mechanisms](#), and findings related to the supply chain are discussed in [Observation 4: Logistics operations and vendor concentration](#).

90. There were no further reportable findings in this area.

Finance and resource management

91. The review of finance focussed on the status and follow-up of long-outstanding items reported in the monthly financial closure reports. The finance controls illustrated in Figure 7 (next page) were covered as they relate to other areas of scope such as CBT, procurement and management of cooperating partners. There were no reportable findings in this area.

92. On resource management, the audit focused on the processes to monitor the availability of resources, allocation of funds to activities, and linkages with the retargeting exercise as part of funding prioritization. The review also focused on engagement with donors and the provision of updates and information.

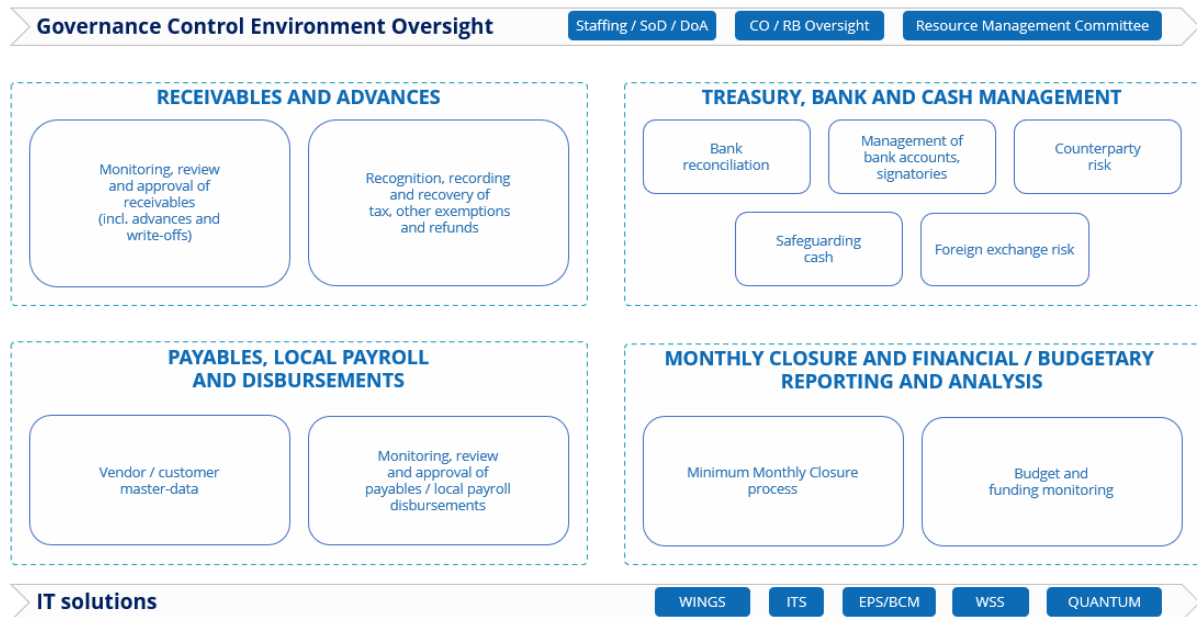
93. The audit noted that critical funding gaps have led the country office to adapt programme implementation arrangements by reducing assistance rations to continue supporting existing beneficiaries. As noted previously, adaptation had been made effectively with the constraints of funding and lack of access to data needed to efficiently target assistance, as noted under [Observation 1: Biometric registration of beneficiaries](#).

94. There were no reportable findings in this area from a process and controls perspective.

⁴⁰ Such as potential instrumentalization of humanitarian aid, insufficient monitoring and oversight, increased risk of fraud in insecure locations (including the selection of cooperating partners), failure of IT systems and the overall volatile security environment.



Figure 7: Control test results for finance





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 (CO) level.

#	Observation (number/title)	Area	Owner	Priority	Timeline for implementation
1	Biometric registration of beneficiaries	Beneficiary management	Country office	High	30 April 2023
2	Updates to accountability mechanisms	Beneficiary management	Country office	Medium	30 June 2023
3	Commodity vouchers through traders' network	CBT	Country office	Medium	31 March 2023
4	Logistics operations and vendor concentration	Supply chain	Country office	High	30 June 2023
5	Monitoring strategy, structure, systems and procedures	Monitoring	Country office	Medium	30 June 2023



Annex B – Definitions of audit terms: ratings and 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 needed 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: (a) observations that are specific to an office, unit or division; and (b) observations that may relate to a broader policy, process or corporate decision and may have a broad impact.⁴¹

⁴¹ 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 which 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
CFM	Complaints and feedback mechanism
CSP	Country Strategic Plan
CV-TN	Commodity vouchers through traders' network
EDP	Extended delivery point
FDP	Final distribution point
FSP	Financial service provider
HTS	Holistic tracking system
IPC	Integrated Food Security Phase Classification
IRG	Internationally Recognized Government of Yemen
ICSP	Interim Country Strategic Plan
M&E	Monitoring and evaluation
MEF	Monitoring and Evaluation Findings
NGO	Non-governmental organization
PIA	Privacy impact assessment
RBC	Regional Bureau for the Middle East, Northern Africa and Eastern Europe
SBA	Sana'a-based authorities
SCOPE	WFP beneficiary information and transfer management platform
SOP	Standard operating procedure
SugarCRM	Customer relationship management system
TPM	Third-party monitor
USD	United States dollars
VRL	Voucher registration log
WFP	World Food Programme

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