Internal Audit of WFP Operations in Mauritania

Office of the Inspector General
Internal Audit Report AR/22/17

November 2022

Table of Contents

I. Executive summary

WFP Mauritania Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Mauritania that focused on beneficiary management, cash-based transfers, supply chain, monitoring, management of non-governmental organizations and budget management. The audit covered the period from 1 January 2021 to 31 March 2022.

2. The work of WFP in Mauritania, as defined in the Country Strategic Plan 2019–2023, aims to support the Government's vision in achieving zero hunger and nutrition security to ensure coherence between relief, development and peacebuilding. WFP's operations in Mauritania include the roll-out of a national adaptive social protection system; a long-term resilience approach; and an urgent humanitarian crisis, addressing malnutrition and providing assistance to refugees at the border with the Republic of Mali. The audit focused on implementation of activities 1, 2 and 5 under Strategic Outcomes 1, 2 and 4.

3. The latest revised budget for the country strategic plan was USD 211.4 million. In 2021, WFP expenses amounted to USD 28.6 million and 205,397 beneficiaries were reached. The audit focused on three activities under Strategic Outcomes 1,2 and 4, which accounted for 64 percent of the total plan's expenses during the audit period.

Audit conclusions and key results

4. 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 objectives 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.

5. The country office has been proactive in consulting and requesting support from the Regional Bureau for Western Africa and headquarters, and has received several oversight and support missions in the last two years. Key controls related to procurement, cash-based transfers, and budget management were generally established and functioning. Good practices were observed in budget management with tight budget planning, strict controls, and efficient monthly budgetary meetings headed by the deputy country director.

6. Despite limited local national expertise and the length to recruit, the country office has developed a rigorous approach to hiring and stabilizing its national workforce, including through developing a talent learning plan, coaching on the job, broadening the sourcing strategy, and closely managing human resource needs. The target of 40 percent women in the workforce was not reached in 2022, mainly due to the country context. The country office has taken steps to address the issue and has developed a comprehensive gender action plan.

7. The audit identified several common root causes across audit observations. These include competing priorities, capacity (staff, national non-governmental organizations, and government partners), absence of coordination between humanitarian actors and within the country office, and application of corporate standards.

8. The country office would benefit from a more structured and documented risk analysis as the risk register required an overhaul. This risk analysis should be combined with the tracking and monitoring of all recommendations issued from the various oversight and support missions.

9.   The country office did not perform an independent verification of the beneficiary lists produced by non-governmental organizations for seasonal support activities, resulting in a risk of fraud or data manipulation. The caseload of refugees in the Mbera camp has increased steadily for ten years, with a sudden new influx in the first quarter of 2022. At the time of the audit fieldwork, the country office did not have a methodology for registering and categorizing new refugee arrivals. The country office may not have the capacity to manage this increasing caseload in a sustainable manner, considering resource constraints; limited government capacity to assist new refugee arrivals; and the limited monitoring of refugees' vulnerability. WFP was not involved in the verification of refugees, which is required to be undertaken on an annual basis for beneficiaries that are enrolled in WFP programmes and receive assistance for a period longer than 12 months.

10.   The audit observed weaknesses in the complaint and feedback mechanism. In 2021, half of the refugees were unaware of how to lodge a complaint with WFP. Furthermore, no formal mechanism was in place to share the complaint and feedback information between the United Nations High Commissioner for Refugees and WFP, resulting in a risk of partial information and limited accountability to affected populations. The country office did not track systemic issues in a structured way to allow for informed programmatic decisions.

11.   Since 2014, the country office has encountered technical challenges in using the WFP beneficiary information and transfer management platform, SCOPE, resulting in significant work and limited system utilization, further delaying digitalization in the office. The country office had not undertaken a privacy impact assessment, impeding from progressing on beneficiary biometrics data collection and from sharing information with the host Government to keep the Social Registry up to date.

12.   In 2015, the country office introduced a bespoke model for managing local non-governmental organizations, whereby these organizations are organized into consortia, sharing responsibilities either by geographical area or type of activity. A single field-level agreement is signed with the head of the consortia, while the other members are not signatories to the contract, which could lead to possible legal and operational risks. The country office proactively sought guidance from the Contractual and Constitutional Law Branch and the Non-Governmental Organisation Partnerships Unit at headquarters to identify solutions to this issue. The management of non-governmental organizations requires improvement in other areas, such as the role of the cooperating partner committee, completeness of capacity assessments, and anti-fraud and anti-corruption training.

13.   Key controls related to the logistics function were generally functioning well. The country office did not conduct a comprehensive logistics services market assessment every three years as per corporate guidance, and renewals for warehouse and transporter contracts extended beyond WFP corporate standards. The visits to the warehouses managed by the host Government revealed the need for further capacity strengthening of government staff.

14.   The COVID-19 pandemic reduced the extent of monitoring visits. From July 2020, the country office developed a local software to standardize and centralize monitoring reports and findings. Its use was paused after August 2021, following technical challenges and the recommendation from the Technology Information Security Branch in headquarters. This resulted in insufficient visibility on monitoring issues and audit trails. The monitoring and evaluation strategy needed to be finalized and technical reporting lines of field monitors reviewed.

Actions agreed

15.   The audit report contains seven 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

Mauritania

17. Mauritania is a lower middle-income country in the Sahel region with a population of 4.8 million living over a vast but mostly arid 1,030,700 km² territory. Mauritania is exposed to recurrent drought cycles, resulting in the degradation of natural resources, and adversely impacting the population's productive capacity, resilience and food security. While Mauritania has made significant improvements in reducing poverty and chronic malnutrition, its rapidly growing population still faces food insecurity, malnutrition, gender inequality and land degradation. In the Sahel region, population displacement and frequent climate-related crises pose further challenges.

18. Mauritania has a low level of development, ranking 157 of 189 on the 2020 United Nations Development Programme's Human Development Index. Fraud risk is inherently high, with the country ranking 140 of 189 countries in the 2021 Transparency International Corruption Perception Index. This impacts the context in which WFP delivers its operations in the country.

19. According to the March 2022 'Cadre Harmonisé',[1] over 878,921 people are foreseen to face crisis conditions (Integrated Food Insecurity Phase Classification Phase 3 or above) during the peak of the 2022 seasonal support programme (June–August 2022). This corresponds to 20 percent of the population, one of the highest rates in the Sahel region, and reflects an increase of 64 percent from 2021.

WFP operations in Mauritania

20. The country strategic plan (CSP) initially approved for a period of four years (January 2019–December 2022) was extended through three budget revisions until February 2023. The revised CSP (2019–2023) has a total budget of USD 211.4 million. For the year 2021, the expenses incurred related to the CSP were USD 28.6 million, i.e., 83 percent of the USD 34.3 million implementation plan budget for 2021 and 77 percent of the USD 37.3 million needs-based plan total 2021 budget.

21. WFP's country portfolio aims to meet the basic food and nutrition needs of affected people and provide United Nations Humanitarian Air Services for all humanitarian and development partners. In parallel, WFP strives to ensure the continuation of resilience programmes, while strengthening institutional capacity and minimizing gender inequalities. In 2021, the country office assisted 205,397 beneficiaries with food and cash assistance. A total of 6,444 metric tons of food was delivered and USD 11 million was transferred through direct cash (via a single financial service provider).

22. Mauritania has welcomed refugees for decades and has hosted the largest number of Malian refugees in West Africa since 2012. The security conditions in Mali remain volatile: large-scale returns are not expected, resulting in a continuous refugee influx to Mauritania. As of March 2022, 69,368 refugees were registered by the United Nations High Commissioner for Refugees (UNHCR) in the Mbera camp.

23. The country office initiated an organizational alignment exercise in March 2021 to better calibrate its structures and workforce with the CSP. It approved an organigram in May 2022, with structural changes to sub-offices and functional units.

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[1] Since 1999, the Permanent Interstate Committee for Drought Control in the Sahel along with United Nations agencies, non-governmental organisations and other international organisations, have been engaged in the development and implementation of the Cadre Harmonisé for the analysis and identification of areas at risk and populations affected by food and nutrition insecurity in the Sahel and West Africa. https://www.ipcinfo.org/ch/en/

Objective and scope of the audit

24. 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 Mauritania. Such audits contribute to an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

25. The audit focused on programme implementation under Strategic Outcomes 1, 2, and 4 of the CSP, representing 64 percent of the country office's total expenses over the audit period.

- *Strategic Outcome 1 – Activity 1: Crisis-affected people meet basic needs; food and nutrition assistance to refugees.*

- *Strategic Outcome 2 – Activity 2: Food insecure populations have access to food; unconditional assistance and blanket supplementary feeding.*

- *Strategic Outcome 4 – Activity 5: Resilient and sustainable livelihoods; livelihood support food for assets and smallholder agricultural market support.*

26. 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**.

Figure 1: Areas covered by the 2021 audit approach

27. The internal audit of the WFP operations in Mauritania built on the 2021 approach, complementing it with a risk-based audit methodology to determine the priority focus areas for this audit. As a result, the six areas in scope for the audit included: (i) beneficiary management; (ii) non-governmental organization (NGO) management; (iii) supply chain; (iv) monitoring; (v) cash-based transfers (CBT); and (vi) budget management.

28. The audit team conducted the audit fieldwork in the Mauritania Country Office in Nouakchott with a visit to the Kiffa sub-office.

29. Reliance was placed on second line assurance work, where possible and relevant, to minimize duplication of efforts. The regional bureau conducted several support and oversight missions between March 2021 and March 2022 covering the following process areas: supply chain, finance and administration, budget management and CBT. Finance controls were not specifically in scope for this audit, due to the support mission undertaken in the first quarter of 2022 by the regional bureau; these controls were mainly covered via linkages to other areas (procurement, CBT and NGO management) and via follow-up and validation of implementation of the observations made by the regional bureau's oversight and support missions.

30. During the audit period, the country office sourced 6,175 metric tons (USD 4.1 million) of food through WFP's Global Commodity Management Facility and procured 814 metric tons (USD 0.5 million) locally. This process is managed at the corporate level and therefore was scoped out from the audit.

31. 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

32. Seven observations arose from the audit. They are grouped into sections corresponding to the functional areas covered (see paragraph 26), with an initial section to capture cross-cutting issues.

33. A simplified standard process diagram is included for several functional areas audited. These diagrams indicate the key control areas reviewed 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 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: Risk management

34. The country office had two dedicated risk champions and its risk management processes were maturing.

35. At the time of the audit fieldwork, the country office risk register did not include several internal and external risks identified during the audit and previous oversight missions. Further, weaknesses in risk identification, assessment, prioritization, definition of mitigating actions and monitoring processes were noted.

36. In particular, the country office had not documented the risks deriving from the main delivery modality (cash in hand). These risks included dependency on a single financial service provider, security risks and beneficiary data transmission protocols. The country office's risk register did not capture fraud or corruption risks related to red flags from the hotline, field operations and other sources. Other risks pertaining to the management of the NGO consortia, targeting processes, quality of data from the Social Registry, and inclusion and exclusion errors in beneficiary lists were also not reflected in the risk register.

37. In addition, second and third-line oversight recommendations had not been consolidated, a practice that would improve follow-up with responsible units, enforce accountability and provide clear visibility on the recommendations' implementation status.

38. Several observations in this report had already been identified during management oversight and support missions and their being addressed was a work in progress at the time of finalizing this report.

Underlying cause(s): No prioritization of the risk register updates over operational tasks; and absence of a system to consolidate, track, and monitor the implementation of the various oversight findings.

Agreed Actions [Medium priority]

The country office will:

(i) Reassess and update its risk register to include all risks, corresponding mitigation actions, and units in charge of their implementation.

(ii) Establish a system to consolidate, track and monitor oversight recommendations for adequate follow-up and implementation.

Timeline for implementation

31 December 2022

Beneficiary management

39. In 2021, the country office assisted 205,397 beneficiaries: 65,580 refugees and 139,817 Mauritanian nationals. The audit reviewed the country office's beneficiary management processes for refugees, seasonal support and food-assistance for assets activities, which consisted of USD 22.2 million of a total USD 34.6 million of actual expenditure throughout all CSP activities in the audit period. Of the USD 22.2 million, USD 13 million was related to assistance provided to refugees, USD 4.6 million for seasonal support and USD 4.6 million for food-assistance for assets.

40. The country office uses the Social Registry as a basis to identify beneficiary lists for its seasonal support activities, complemented by supplementary lists provided by the communities concerned. The country office has undertaken significant work together with the Government and partners to determine the methodology to identify the most vulnerable geographical locations.

41. Further, from 2017, a new methodology to categorize refugees by their level of vulnerability was jointly developed by UNHCR and WFP. The targeting exercise was interrupted by the COVID-19 pandemic in 2020 and restarted in 2021, taking into account the socio-economic changes arising from the pandemic. The country office acknowledged limitations in the census data, which did not include refugees absent at the time of the census enumeration or new refugee arrivals.

Figure 2: Control test results for beneficiary management
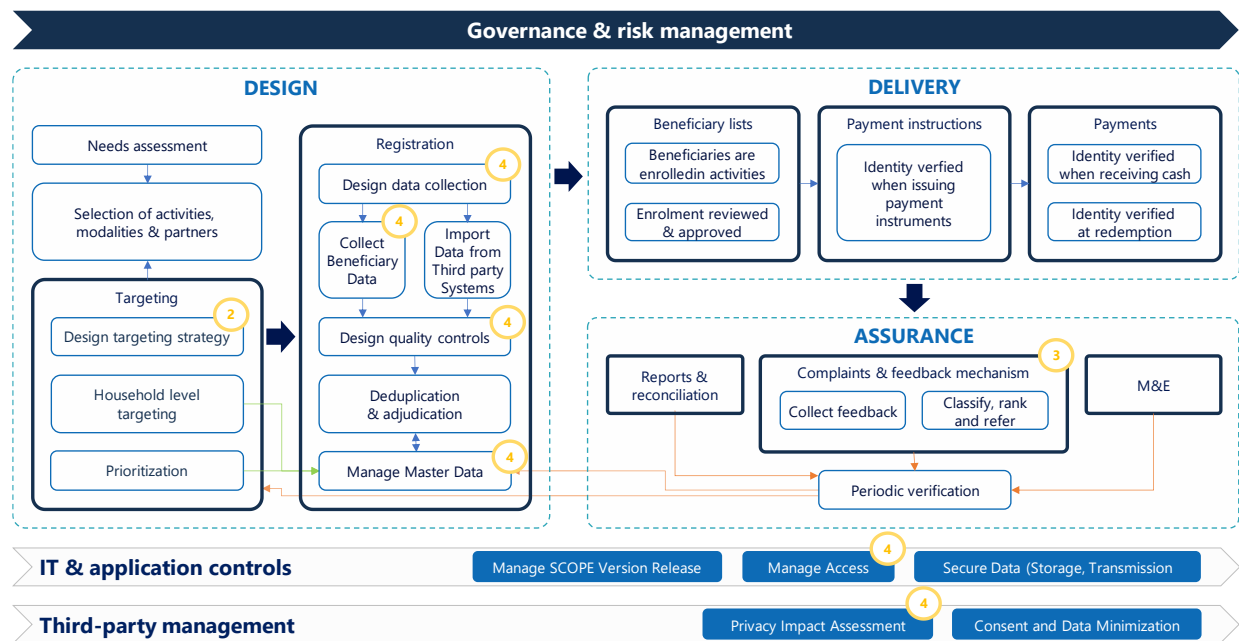
Observation 2: Beneficiary management

Seasonal support and food assistance for assets

42. As per programmatic design, NGOs verified the validity of the beneficiary lists obtained from the Social Registry and the complementary lists provided by village committees prior to distributions. Although, in some instances, WFP staff from sub-offices accompanied NGOs, these did not carry out independent verifications of the lists, creating a risk of potential fraud or data manipulation.

43. Improvements were required in validating the physical presence of beneficiaries working on the construction sites. NGOs oversaw the beneficiary proof-of-presence lists without independent verification, creating a risk of potential fraud or data manipulation.

Malian refugees

44. At the time of the audit fieldwork, there was limited or no government capacity to assist new refugee arrivals. The country office provided unconditional assistance to all new arrivals and had yet to establish a methodology for the categorization of new refugees until they are registered by UNHCR. In addition, the country office did not document the basis for its programmatic decision to reduce rations to cope with the new arrivals.

45. The Social Registry is updated every five years and is subject to the government's capacity to undertake the task; hence, there is no close monitoring of changes in refugees' vulnerability status in-between these updates. The country office was not involved in verifying refugees' existence and status, a process which should be undertaken on an annual basis for enrolled beneficiaries who receive assistance for a period longer than 12 months as per WFP standards. This was also noted in the regional bureau's 2022 CBT oversight report, which suggested that the country office should work jointly with UNHCR on a common annual verification process, exploring the use of UNHCR systems to conduct it.

46. Considering the above – limited or no government capacity to assist new refugee arrivals, no close monitoring of changes in refugees' vulnerability status – as well as resource constraints, the country office may not have the capacity to manage the increasing refugees' caseload.

Underlying cause(s): Little visibility on refugee data for new arrivals coupled with limited resources to perform independent verifications; volatility of the situation at the Malian border; and five-year periodicity for the Social Registry updates.

Agreed Actions [Medium priority]

The country office will:

(i)   Develop independent, sample-based verifications of beneficiary lists for its seasonal support activities and for beneficiary proof-of-presence lists for food-assistance for assets activities (both to be undertaken either by WFP or third-party monitors).

(ii) Develop a strategy for new refugee arrivals, taking into consideration the uncertainty about the number of new arrivals and funding prospects.

(iii) Assess the mechanisms available to capture potential changes in the vulnerability of Malian refugees, considering cost-benefit analysis, and assess the feasibility of testing the vulnerability criteria for refugees on a regular basis.

Timeline for implementation

31 March 2023

Observation 3: Accountability to affected populations

47. In 2019, the country office contracted a call centre to manage calls from beneficiaries. In 2021, 2,119 calls were lodged, which constituted one percent of the total number of assisted beneficiaries. The calls largely related to the country office's seasonal support activities. Approximately 90 percent of the calls came from non-beneficiaries, requesting inclusion in the WFP programmes.

48. The consolidated tracking sheet of issues identified from the call centre did not contain sufficient information for a comprehensive audit trail and the enabling of risk-informed decisions. For example, information on relevant timelines or justification of the implementation status of issues raised were incomplete or missing; actions on systemic issues were not tracked in a structured way to allow for effective oversight.

49. As per the post-distribution monitoring undertaken in 2021, half of the refugees were unaware of how to lodge a complaint with WFP. Furthermore, no formal mechanism was in place to share complaint and feedback information between UNHCR and WFP, resulting in risks that only partial information is obtained, accountability to affected populations may be limited, and opportunities to address issues and make informed decisions may be missed.

Underlying cause(s): Insufficient communication to beneficiaries about the complaint and feedback mechanism; no network coverage in some rural areas for beneficiaries to reach the call centre; absence of coordination between different stakeholders in sharing complaint and feedback information; and manual system for following up on complaints.

Agreed Actions [Medium priority]

The country office will:

(i)   Increase awareness of the complaint and feedback mechanism established by WFP.

(ii) Develop other ways of raising complaints in the areas where there is no network coverage.

(iii) In liaison with the UNHCR–WFP Joint Programme Excellence and Targeting Hub, assess the possibility of establishing a protocol to share refugee feedback and complaint information between the agencies.

(iv) Assess opportunities for system automation and loop closure of referred cases.

Timeline for implementation

30 June 2023

Observation 4: Digitalization strategy

50. The country office started registering beneficiaries in the WFP beneficiary information and transfer management platform (SCOPE) in 2014. The country office encountered technical challenges that resulted in significant pre-SCOPE work, delays in implementation and sub-optimal use of the system. As a result, since March 2021 only SCOPE was used to provide assistance to refugees, and since May 2022 for food-assistance for assets activities. The country-specific challenges in implementing SCOPE were not documented, which further impeded effective and informed decision-making on the office's digitalization process.

51. No standard operating procedure was in place for the use of SCOPE in the country office. Segregation of duty conflicts were observed in the period under audit, e.g., the same staff member verified, changed and approved enrollment lists or created and verified distribution lists. These practices were discontinued from the time of the audit fieldwork, and a wider involvement of sub-office staff in the process was being considered to ensure the necessary segregation of duties in SCOPE.

52. Inconsistencies were also noted in the beneficiary data registered in SCOPE, namely, missing data fields such as date of birth, address, gender and identification document number for several beneficiaries.

53. Further, at the time of the field mission, 63 percent of beneficiaries were registered in SCOPE but had not enrolled in any programme for the last two years. Some beneficiary biometrics had been kept in SCOPE although they had not been used since 2014. While biometric data for refugees is managed by UNHCR, the country office had no strategy for collecting and using biometrics for non-refugee beneficiaries. The collection of biometrics was suspended in 2019 as a result of the COVID-19 pandemic and is planned to be restarted in 2022.

54. A privacy Impact Assessment was not in place, impeding the country office's progress in collecting beneficiary biometrics and sharing information with the Government to keep the Social Registry of the most vulnerable population up to date.

55. NGOs verify the beneficiary lists received from the Social Registry and the complementary lists received from village committees for seasonal support activities. The partners should collect information on paper and simultaneously enter data with tablets. For various technical reasons, these tablets were not systematically used, resulting in incomplete datasets. NGOs prepared the beneficiary lists used for distributions with spreadsheets; however, these lists were not reconciled with the datasets in the data-collection tool, creating risks of human error and potential data manipulation.

Underlying cause(s): Insufficient staff capacity and competing priorities to perform a complex Privacy Impact Assessment, to expand the use of SCOPE, and to identify secured systems for pre-SCOPE work; and lack of strategic decisions on country office digitalization.

Agreed Actions [Medium priority]

The country office, with the support of the regional bureau, will:

(i) Undertake a Privacy Impact Assessment.

(ii) Assess the beneficiary management systems used by non-governmental organizations in the country and their applicability to country office programmes.

(iii) Reassess the number of critical functionalities that should be performed by SCOPE.

(iv) Develop a comprehensive digitalization strategy across all activities considering the new country strategic plan.

Timeline for implementation

31 March 2023

Non-governmental organization management

56. Except for cash transfers, which are conducted via the financial service provider and school feeding, which is implemented by the Ministry of Education, all country office activities are carried out by NGOs. The low capacity of local NGOs and the high cost of international NGOs led the country office to introduce a country-specific model for NGO management: local NGOs are organized into consortia, sharing responsibilities either by geographical area or type of activity. At the time of the audit fieldwork, the country office had 15 active field-level agreements, of which 11 were with various consortia.

57. From the first quarter 2022, the country office has been giving significant attention to review its internal guidance and tools for NGO management. This includes the endorsement of a new comprehensive standard operating procedure for the partnership management cycle and the use of the United Nations Partner Portal to establish formal procedures covering both regular calls for interest linked to the country strategic plan cycle and the selection of partners to cover unplanned needs.

58. Further, NGO partners at the country office and in sub-offices highlighted in their interviews with the audit team the positive collaboration with the country office and the latter's support, especially in engaging with local authorities.

Observation 5: Management of non-governmental organizations

Governance

59. The cooperating partner committee is responsible for reviewing partnership proposals or draft field-level agreements with NGOs, prior to the signature of the agreement by the country director. From the review done, the country office did not pay sufficient attention to potential conflicts of interest as the cooperating partner committee membership included several staff actively engaged in the day-to-day management of partnerships. Further, the cooperating partner committee's endorsement was not required for the new field-level agreements although it was required for the revision or amendment to existing field-level agreements.

60. Partner capacity assessment or due diligence were either incomplete – i.e., did not address all relevant aspects of NGO resources – or not fully documented. Risk mitigation measures and capacity strengthening plans were not defined as part of these exercises.

61. The country office recently went through a round of training on protection against sexual exploitation and abuse. Detailed training materials were circulated and signed, and all NGOs interviewed confirmed their awareness on the topic. The review of the complaints and feedback mechanism did not highlight cases about protection against sexual exploitation and abuse, and no cases were reported to WFP's Office of Inspections and Investigations. The country office should nonetheless develop further training on anti-fraud and anti-corruption policy aspects.

62. From January 2021 to March 2022, NGOs transported 2,474 metric tons of food representing 11 percent of total food commodities transported in the audit period. Yet data was missing in WFP's logistics support system for food dispatched or handed over to members of the NGO consortia, limiting the traceability of deliveries at distribution points.

Management of the NGO consortia

63. In the absence of corporate guidelines on consortia management, the country office established a single field-level agreement with the lead NGO in the consortium, with an annex to specify the other consortia members and the budget breakdown. Other consortia members were not signatories of the 'lead' agreement, which may create legal or operational issues when implementing WFP operations if the sub-contract agreements between the lead member and the other consortium members are not aligned with and do not reflect the 'lead' agreement content. The country office proactively sought guidance from the Contractual and Constitutional Law Branch and

the NGO Partnerships Unit at headquarters and, at the time of the audit fieldwork, discussions on field-level agreement templates for consortia were ongoing.

64. As a temporary solution, sub-contracting clauses were introduced in the consortia field-level agreements in May 2022. At the time of the audit fieldwork, the process had yet to be finalized, and only one field-level agreement contained such clauses. The sub-contract template developed by the country office did not include all clauses of the general and special conditions contained in the standard corporate field-level agreement. In addition, details of budget breakdown among consortia members were not systematically documented within the field-level agreements, and the budget and evaluations did not consider the role of supervision or coordination expected by the lead partner, which needed to be clarified in terms of roles and resources.

65. In its 2022 report of on the management of cooperating partners,[2] the WFP's External Auditor recommended that consideration be given to extending the duration of field-level agreements to match that of country strategic plans, and to include both a framework agreement and a financing addendum.

66. The audit therefore strongly encourages the Programme and Policy Development Department to explore alternative field-level agreement structures to build sustainable and adequate partnerships.

67. Given the activities ongoing, no further additional action is therefore raised in this report.

Underlying cause(s): Insufficient application of corporate standards on partnership management; and low capacity of national NGOs leading to a specific set-up of NGO consortia by the country office.

Agreed Actions [Medium priority]

The country office will:

(i) Apply the standard operating procedures and mandatory corporate elements of the partnership management lifecycle: capacity assessments and risk categorization, committee and management oversight, training and spot-check verifications.

(ii) With the support of the headquarters Non-Governmental Organizations Partnerships Unit and the Contractual and Constitutional Law Branch, consider the following options for the management of non-governmental organizations:

  a. apply field-level agreement clauses on sub-contracting and review the content of the standard sub-contracts to ensure that the terms and conditions of the overarching field-level agreement are all reflected. This will also entail the corporate due diligence process that accompanies sub-contracting; or

  b. for the new country strategic plan, as current field-level agreements with consortia expire, start to reintroduce standard bilateral field-level agreements with single non-governmental organizations in accordance with the existing corporate framework.

Timeline for implementation

31 December 2022

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[2] Document WFP/EB.A/2022/6-H/1.

Supply chain

Procurement

68. Goods and services procured by the country office amounted to USD 2.6 million in the audit period. The country office took action to obtain appropriate approvals for its post-factum purchase orders and made progress on the monitoring of its procurement plans, as recommended by the regional bureau after the support mission undertaken in March 2022. At time of the audit fieldwork, the country office was recruiting a national professional officer to strengthen its procurement function, which had relied on one general service staff member, reporting directly to the head of supply chain.

69. The areas reviewed by the audit related to Procurement are illustrated in the schematic diagram below. No reportable findings arose and, in general, controls were found to be operating effectively with processes effectively managed.

**Figure 3: Control test results for procurement**
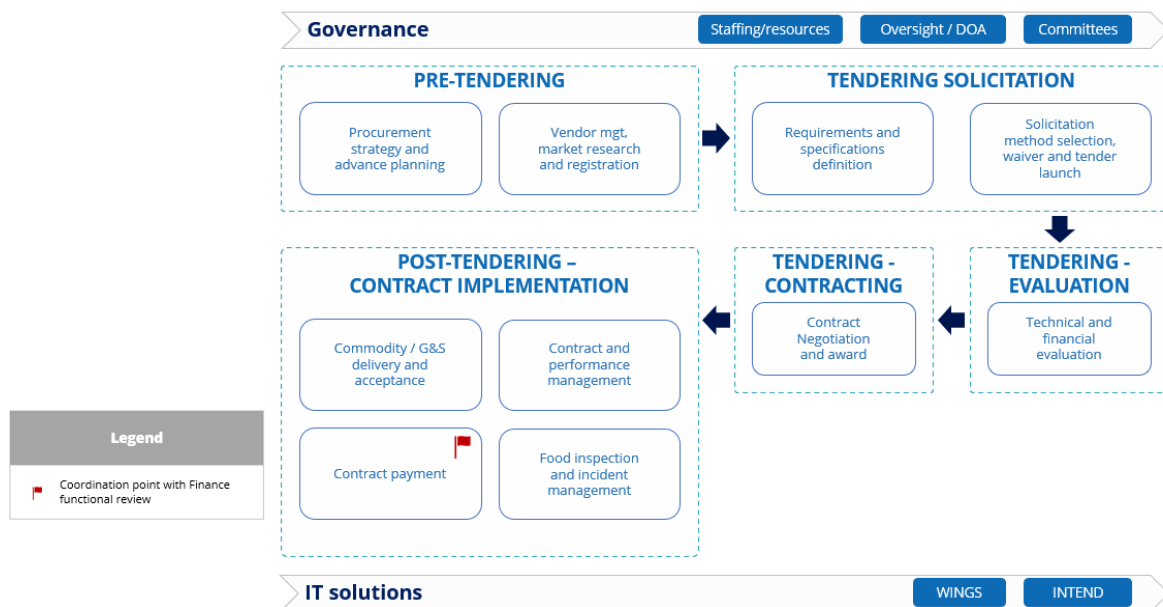
Logistics and commodity management

70. Transport contracts were time-based; made in a competitive manner; and were awarded to a single contractor. The country office owned five trucks purchased in 2003. At the time of the audit fieldwork, the office had already initiated the process for their sale and disposal as per corporate guidance, by requesting assistance from the headquarters global fleet unit. Further, the country office stored commodities in two storage locations and at eight other warehouses managed by the host government.

71. Key controls related to logistics functions were generally implemented and functioning well, including the functioning of key committees related to logistics contracting. Partial reliance was placed on second-line assurance work where possible, specifically on the support missions carried out by the regional bureau in March 2022.

Figure 4: Control test results for logistics and commodity management
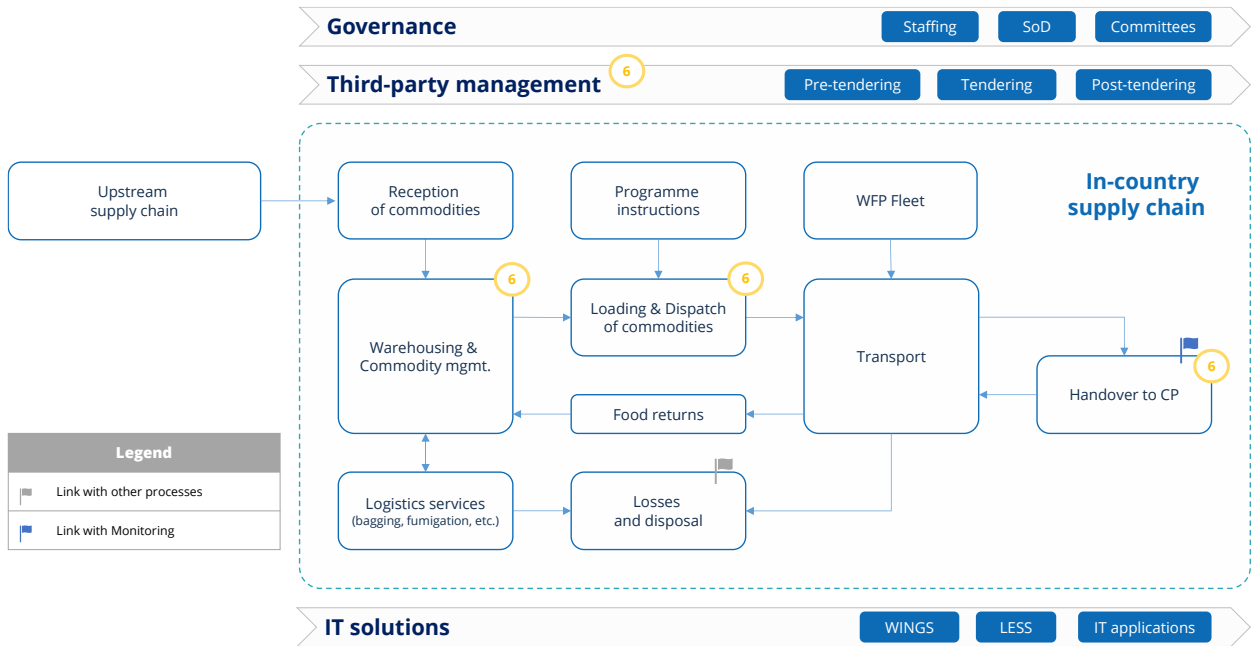
Observation 6: Transport and commodity management

72. The country office had not conducted a comprehensive logistics services market assessment every three years as per corporate guidance. The country office relied on expressions of interest issued as part of market research activities to prepare the shortlist of service providers. Although contracts were made in a competitive manner and negotiations were undertaken openly and transparently, the contracting requirements for maximum extension and renewals for transporter and warehouse contracts generally extended WFP corporate standards.

73. Some exceptions were observed in the application of operational procedures for commodity management and storage, such as stack cards being incomplete and the presence of mixed batches. Waybills were not systematically signed by transporters or NGOs (where applicable) upon food reception to distribution points.

74. The country office established an inventory committee with clear terms of reference in March 2022, and physical inventory counts were conducted monthly. The inventory process was not standardized across the storage locations, in terms of templates and validation procedures. Moreover, the physical count was not systematically verified by the inventory committee members.

75. The physical safeguard of WFP commodities was not in place in all government warehouses, especially where the compound around the site was not adequately fenced, and the buildings were not in good condition.

Underlying cause(s): Absence of awareness of corporate guidance coupled with staff capacity constraints for carrying out the required assessments; and staff rotation and skills gaps in the logistics and commodity management capacity of government partners.

Agreed Actions [Medium priority]

The country office will:

(i) Conduct a logistics services market assessment in line with corporate requirements for the logistics markets in which the country office will potentially be expected to launch requests for quotations.

(ii) Apply current corporate standards and templates for contract renewals, stock movements (i.e., waybills) and inventory controls.

(iii) Organize training or refresher training for government teams in charge of WFP commodities management (i.e., handling and storage).

(iv) Assess the logistics risks and mitigation measures associated with transporting and warehousing services provided by both the government and non-governmental organization consortia.
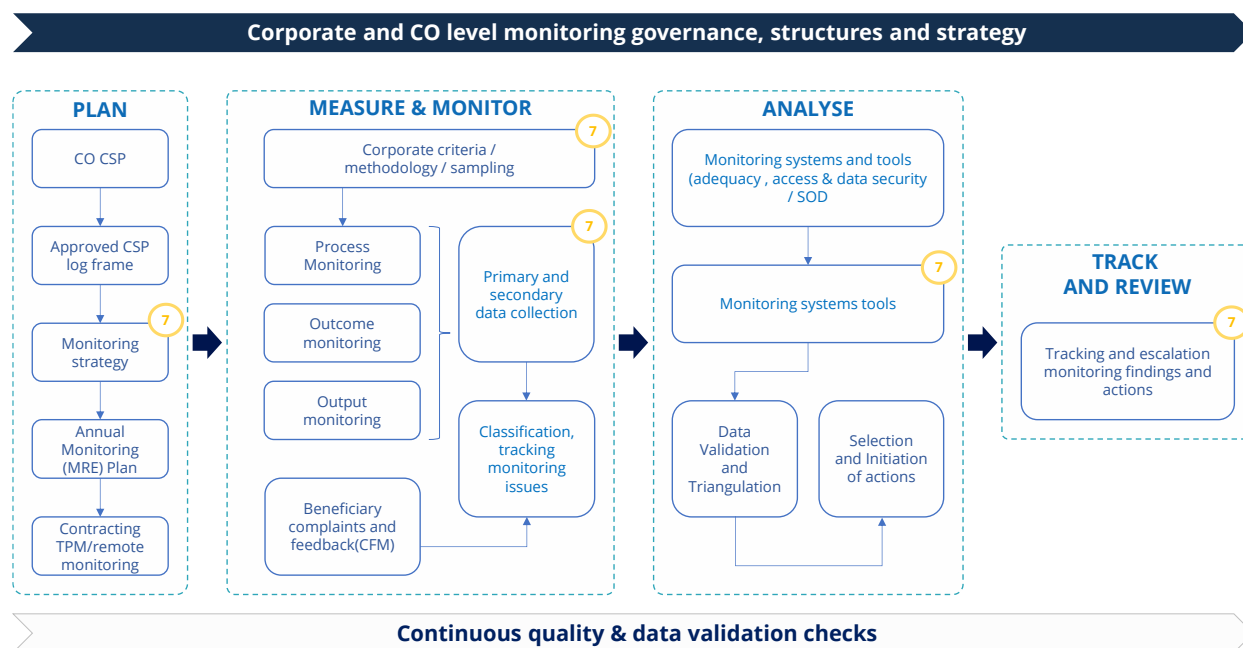
Timeline for implementation

31 March 2023

Monitoring

76. In 2022, the country office finalized the process of merging the Monitoring and Vulnerability Analysis and Mapping units under the Research, Assessment and Monitoring (RAM) function, with a direct reporting line to senior management. The COVID-19 pandemic had an impact in 2020 on the country office's ability to continue data collection for outcome indicators and cross-cutting indicators, process monitoring and data triangulation activities. The RAM unit partially resumed monitoring work in 2021, yet without fully reaching the monitoring standards in place pre-pandemic.

77. Upon review, controls related to the approved logframe and annual monitoring planning were established and functioning.

Figure 5: Control test results for monitoring

Corporate and CO level monitoring governance, structures and strategy

PLAN

CO CSP

Approved CSP log frame

Monitoring strategy ⑦

Annual Monitoring (MRE) Plan

Contracting TPM/remote monitoring

MEASURE & MONITOR

Corporate criteria / methodology / sampling ⑦

Process Monitoring

Outcome monitoring

Output monitoring

Beneficiary complaints and feedback(CFM)

Primary and secondary data collection ⑦

Classification, tracking monitoring issues

ANALYSE

Monitoring systems and tools (adequacy , access & data security / SOD)

Monitoring systems tools ⑦

Data Validation and Triangulation

Selection and Initiation of actions

TRACK AND REVIEW

Tracking and escalation monitoring findings and actions ⑦

Continuous quality & data validation checks

Observation 7: Monitoring

78. As of June 2022, the country office had 13 field monitors (across three sub-offices) who had overlapping roles in implementing and monitoring programme activities. The monitors did not have a functional reporting line to the country office RAM unit, resulting in limited visibility, oversight and coordination of monitoring activities.

79. The country office started to outline some elements of its monitoring and evaluation strategy in 2022; a process that was yet to be finalized at the time of the audit fieldwork. An analysis of the draft strategy indicated that some technical areas need to be expanded and require further detail, such as: monitoring roles and responsibilities; sampling and criteria for site selection; and coverage and monitoring requirements to be achieved across activities and regions.

80. Process monitoring and data collection at the household level were not carried out consistently across interventions for distribution monitoring, post-distribution monitoring, and activity implementation monitoring. The country office's RAM unit had already identified this area for improvement and was working with the programme manager to review existing monitoring tools (checklist, questionnaire, forms) and the corporate platform for primary data collection.

81. The country office developed a local software in July 2020 to facilitate the standardization and centralization of monitoring reports and the follow-up of findings from field monitors. At the time of the audit fieldwork, the use of the local application had been paused due to technical challenges. The Technology Division in the regional bureau, together with the Technology Information Security Branch in Headquarters, advised to assess technology requirements for identity and authentication, configuration and software versions.

82. The country office stopped using the local application after August 2021 but did not implement any alternative processes. This resulted in an overall consolidation gap, which limited visibility on issues from the different monitoring sources. This also led to the absence of a comprehensive audit trail (for example, relevant timelines and justification of the implementation status of issues raised), which could assist in decision-making and evidence-based programme revision.

Underlying cause(s): New recruitment in the RAM unit and competing priorities for developing the country office monitoring strategy; no functional reporting line between the country office's RAM unit and field monitors coupled with the absence of RAM unit's involvement in the recruitment process and performance management of field monitors; and delay in resuming standardized monitoring processes after the COVID-19 restrictions.

Agreed Actions [Medium priority]

The country office will:

(i)   Finalize the monitoring strategy aligned with the country strategic plan outcomes, outputs, and processes.

(ii) Review the structure of the monitoring function and the process for coordinating and reporting on monitoring-related activities at all levels of the country office, including sub-offices.

(iii) Standardize monitoring processes across interventions, including distribution monitoring, post-distribution monitoring, activity implementation monitoring, use of tools, and feedback mechanisms.

Timeline for implementation

31 March 2023

Cash-based transfers

83. During the audit period, the country office delivered USD 11 million of unconditional cash-based transfers to beneficiaries through cash using one financial service provider. To communicate securely with the financial service provider, the country office implemented WFP's bespoke Automated and Secure File Transfer with Partners solution with the financial service provider, "NEST". NEST provides a secure method of sharing CBT related information such as beneficiary account information, payment lists, payment advice files and related reports with the financial service provider.

84. The country office was preparing a request for proposal (expected by the end of 2022), as the contract with the current financial service provider was coming to term and this was seen as a means for new delivery mechanisms to be explored. Headquarters and the regional bureau are supporting the country office in this exercise, which includes several macro and micro assessments, as well as due diligence.

85. The areas reviewed by the audit related to CBT are illustrated in the schematic diagram below. No reportable findings arose and, in general, controls were found to be operating effectively with processes effectively managed.

**Figure 6: Control test results for cash-based transfers**
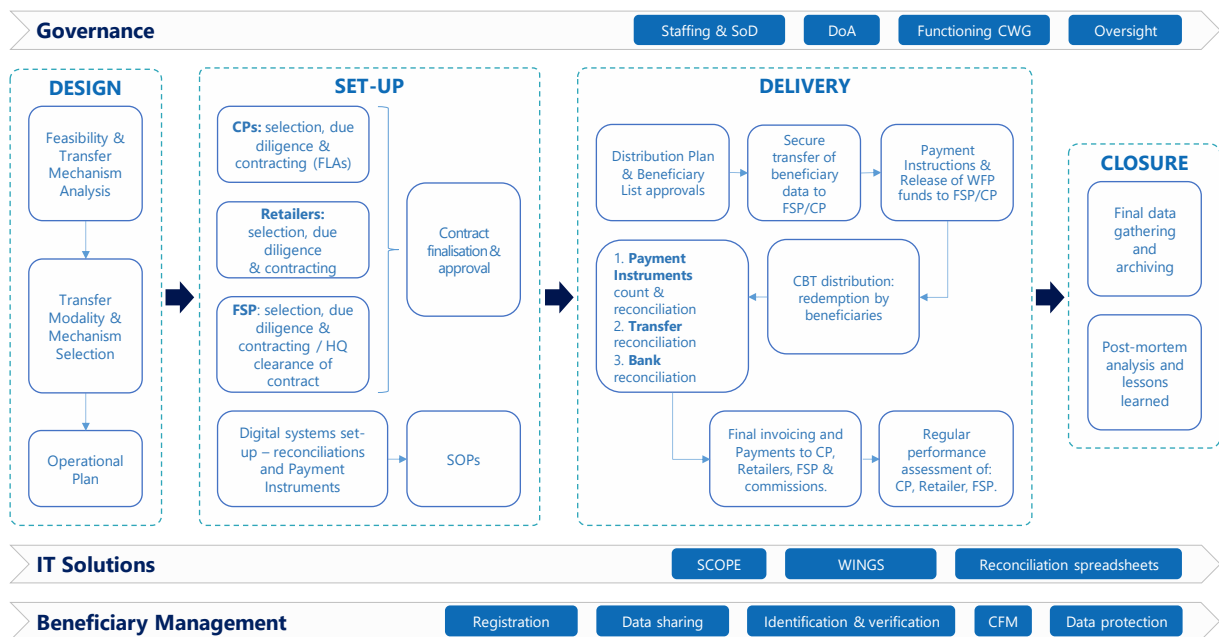
Budget management

86. Audit test results indicated that overall budget management controls were functioning effectively, as illustrated in Figure 7 below. The audit reviewed the alignment of the implementation plan to resource levels; advance financing coordination mechanisms; and monitoring of budget versus actual expenses.

87. In general, controls were found to be established and functioning, with resource management processes effective and a strict management of the budget despite limited personnel. The audit identified as a good practice the establishment of monthly bilateral budgetary meetings, chaired by the deputy country director, for efficient preparation and documentation of the monthly resource management committee.

88. No reportable findings arose from the audit.

Figure 7: Control test results for budget management
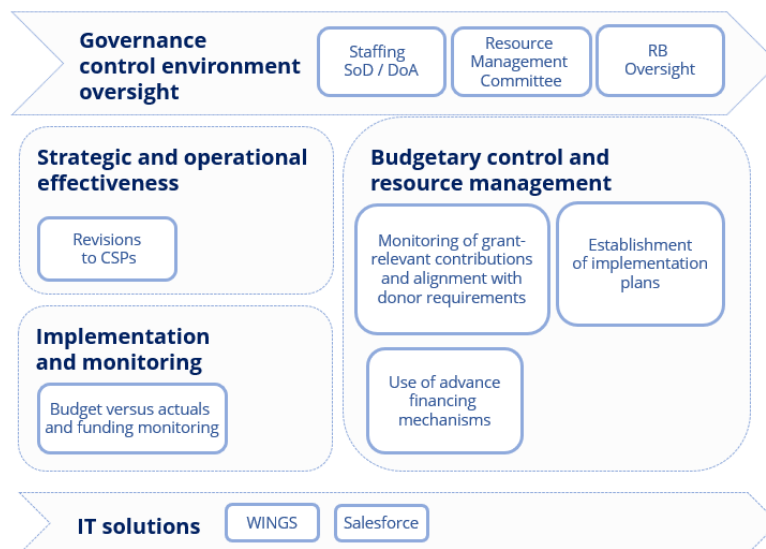
Annex A – Agreed action plan

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	Risk management	Cross-cutting	Country office	**Medium**	31 December 2022
2	Beneficiary Management	Beneficiary management	Country office	**Medium**	31 March 2023
3	Accountability to affected populations	Beneficiary management	Country office	**Medium**	30 June 2023
4	Digitalization strategy	Beneficiary management	Country office	**Medium**	31 March 2023
5	Management of non-governmental organizations	Management of cooperating partners	Country office	**Medium**	31 December 2022
6	Transport and commodity management	Supply chain	Country office	**Medium**	31 March 2023
7	Monitoring	Monitoring	Country office	**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.[3]

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[3] 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 Transfers
CSP	Country Strategic Plan
NGO	Non-Governmental Organization
RAM	Research, Assessment and Monitoring
SCOPE	WFP's beneficiary information and transfer management platform
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar
WFP	World Food Programme

Annex D – List of figures