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Internal Audit of WFP Operations in Ukraine

Office of the Inspector General
Internal Audit Report AR/23/04



World Food
Programme

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I. Executive summary

WFP Ukraine Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Ukraine that focused on end-to-end delivery processes, including programme set-up and beneficiary management; programme implementation – cash-based transfers; programme implementation – in-kind assistance; and monitoring and reporting processes, as part of the limited emergency operation.¹
2. WFP's work in Ukraine, as defined in the limited emergency operation (February–December 2022) document, aimed to temporarily amplify the capacity of the in-country humanitarian system. Interventions included providing (a) immediate food assistance through a combination of cash-based transfers and in-kind modalities, and (b) logistics and telecommunications-related support, as well as other on-demand services to the humanitarian community.
3. The nature of the emergency in Ukraine is complex and unprecedented in WFP. Before the conflict, Ukraine was a highly digitized, middle-income country with structured social security frameworks and tight data protection regulations. WFP had not had a permanent presence in the country since 2018. The situation is further challenging in that humanitarian access to non-government-controlled areas had not been granted (at the time of audit fieldwork).
4. The latest (August 2022) needs-based budget for the limited emergency operation until December 2022 was USD 1,946 million. Over the period in scope (March – September 2022), expenses amounted to USD 452 million, and the country office reached a monthly average of 2.4 million beneficiaries.
5. The audit focussed on the period from 25 February to 30 September 2022, and on one activity under strategic outcome 1 of the limited emergency operations '*The provision of immediate food assistance through a combination of cash-based transfers and in-kind modalities in Ukraine and neighbouring countries*', which represented 99 percent of expenditures during the period in scope. The audit excluded from its review the national social protection processes under the responsibility of the Government of Ukraine on which the WFP country office relied.

Audit conclusions and key results

6. Based on the results of the audit work performed for the period in scope (March to September 2022) and given the programmatic set-up in place, 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 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.
7. Overall, WFP effectively deployed its emergency mechanisms and resources in responding to the crisis. Preparedness under regional bureau oversight allowed for quick activation of the limited emergency operation and of an operational presence since the onset of the conflict in February 2022. The identification and deployment of senior experienced personnel, and leveraging and customizing tools, processes and systems at country and organizational level, were key factors in the rapid scale-up. These included the WFP self-registration application and reliance on the existing national social protection system; WFP's data assurance team support for data validation and deduplication set-up; and the corporate cash-based transfer framework agreement and reconciliation solution.

¹ WFP operational framework to deal with emergency response in non-presence countries.



8. WFP assisted one million beneficiaries with in-kind distribution in the first month of the response and a total of 2 million unique beneficiaries with cash-based transfers from April to October 2022, becoming the second largest WFP cash operation of 2022.

9. The stakeholders met during the audit praised WFP's response and flexibility in adapting to the evolution of volatile emergency needs. A well-established relationship with the Ministry of Social Policy resulted in a capacity strengthening project on its Social Sphere for digitization of data triangulation and validation checks on beneficiary data prior to their transfer to WFP and other humanitarian actors.

10. As an active participant in humanitarian coordination platforms, WFP provided a cross-organizational deduplication tool based on blockchain technology. According to country office estimates, this contributed to cost efficiencies.

11. In the context of a formalized 'no regret approach' that entailed waiving specific controls (such as full due diligence of cooperating partners and food suppliers), the country office made efforts to establish key controls early on in the emergency and to transition to more structured processes. This included a thorough risk-management process; a local community feedback mechanism; a third-party monitoring agreement with a renowned national institution; structured performance assessments of cooperating partners at the end of the first distribution cycle, to feed into contract extensions; and a call for proposals issued to cooperating partners that was ongoing at the time of audit fieldwork in view of the activities planned for 2023. As a corporate scale-up operation, the WFP operational task force oversaw the processes, risks and opportunities that the country office faced in 2022.

12. The cash-based transfer deduplication process, based on the unique identifier of the tax identification number of the Government of Ukraine on which the office relied, was effective.

13. The audit identified four medium-priority observations in the areas of:

- *Programme set-up and beneficiary management*: Collection and verification of in-kind targeting and beneficiary data
- *Cash-based transfers*: Opportunities for additional data analysis for cash-based transfers beneficiary data quality and deduplication, particularly in case of different registration criteria among the various data sources; better tracking of changes to distribution plans and monitoring of actual results;
- *In-kind transfers*: Local vendor assessments for food quality and safety aspects; and
- *Monitoring and reporting*: Consolidation and tracking of beneficiary feedback and monitoring issues.

Actions agreed

14. The audit report contains four medium-priority observations, three of which have an action at corporate level. 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

Ukraine

16. The second largest country in Europe by surface in 2021, Ukraine was a highly digitized, middle-income country.² A land of wide and fertile agricultural plains, it was one of the world's largest agricultural producers and exporters, known as the "*Breadbasket of Europe*". Ukraine underwent significant reforms in recent years, including enhancing its anti-corruption ecosystem, scoring 32 points out of 100 (highest corruption level) in the 2021 Transparency International Corruption Perceptions Index.³ Ukraine also ranked 77 of 191 countries and territories in the 2021 UNDP high human development category.⁴ The country has a highly developed social protection system, which offers opportunity for being leveraged in the context of a humanitarian crisis.

17. The onset of the Ukraine conflict in February 2022 created an unprecedented humanitarian situation, with mass displacement at a level and speed not witnessed in Europe since World War II. An estimated 11.1 million people have been identified as food insecure.⁵ The conflict is expected to impact Ukrainian agricultural production, with up to 30 percent of crops estimated to have remained unharvested in 2022. The repercussions for food security in 2023 are expected to worsen, with decreasing global availability and affordability of staple foods such as grains and vegetable oil.

18. After large-scale damage to critical infrastructure in October and November 2022, which left large parts of the population without electricity and water, and with dropping temperatures, 18 million people were estimated to be in need of humanitarian aid as of mid-December 2022.⁶

WFP operations in Ukraine

19. Since 2018, WFP has had no permanent presence in Ukraine and the country was on the watchlist of the WFP Regional Bureau for the Middle East, Northern Africa and Eastern Europe. This status enabled a preparedness activity in 2021, including coordination with the in-country humanitarian community.

20. WFP has had an operational presence in Ukraine since the onset of the conflict in February 2022 and renewed its 2015 basic agreement with the Government of Ukraine in July 2022.

21. Under the limited emergency operation (WFP's operational framework when dealing with emergency response in non-presence countries), WFP responded to the humanitarian needs of crisis-affected populations across Ukraine by (a) providing food and cash assistance, and (b) school meals to crisis-affected schoolchildren – reaching a monthly average of 2.4 million people;⁷ (c) supporting the restoration of supply chains and strengthening food systems; and (d) providing services to humanitarian and development partners.

22. WFP's intervention as per the limited emergency operation had two strategic outcomes:

- *Strategic outcome 1:* The provision of immediate food assistance through a combination of cash-based transfers and in-kind modalities in Ukraine and neighbouring countries.
- *Strategic outcome 2:* The support to other humanitarian agencies through logistics and telecommunications-related support, as well as other on-demand services.

23. Four budget revisions were approved to adjust operational requirements and align beneficiary numbers to the most up-to-date humanitarian assessments; extend the duration of the response to the end of 2022; expand WFP assistance to neighbouring countries; and introduce capacity strengthening activities.

² [New World Bank country classifications by income level: 2022-2023](#).

³ Transparency International ranks countries by [perceived levels of public sector corruption](#). The higher the score, the lower the level of corruption. Ukraine ranked 122 of 180 countries in the [Corruption Perceptions Index-2021](#).

⁴ [Specific country data | Human Development Reports \(undp.org\)](#).

⁵ WFP Transitional Interim Country Strategic Plan 2023–2024, approved 1 December 2022.

⁶ [HungerMap LIVE \(wfp.org\)](#) and [UN globalesecurity.org](#)

⁷ From March to November 2022, as per WFP Ukraine distribution overview, 30 November 2022, (in-kind and/or cash recipients)



24. A transitional Interim Country Strategic Plan 2023–2024 was approved in December 2022, focusing on crisis response and capacity strengthening of both the Government and non-government partners to enhance the social protection system's responsiveness to shocks; to strengthen food systems; and to allow for eventual handover of the humanitarian assistance to the Government and other stakeholders.⁸

Objective and scope of the audit

25. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control of end-to-end delivery processes in WFP operations in Ukraine as part of the limited emergency operation. Such audits contribute to an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

26. The audit focused on one activity of the limited emergency operation, under strategic outcome 1: *The provision of immediate food assistance through a combination of cash-based transfers and in-kind modalities in Ukraine and neighbouring countries*, which represented 99 percent of expenditures during the period in scope.⁹

27. The Office of Internal Audit implemented a risk-based approach with a risk assessment carried out through documentation review, interviews with stakeholders, data analytics and preliminary sample testing. Based on the risk assessment results, the focus was put on Ukraine as the budget in the neighbouring countries represented 9.0 percent of the initial limited emergency operation budget (i.e., needs-based as at February 2022) and only 1.7 percent of the revised needs-based budget (August 2022); further, since August 2022, activities in Moldova have no longer been operating under the Ukraine limited emergency operation.

28. The Office of Internal Audit identified high-priority risks and performed tests on key controls in four areas: (i) programme set-up and beneficiary management; (ii) programme implementation – cash-based transfers; (iii) programme implementation – in kind assistance; and (iv) monitoring and reporting. The essential controls built on existing procedures and manuals and, where appropriate, were discussed and validated with respective business units.¹⁰

29. Aspects linked to coordination and cooperation with the humanitarian community and the risk of beneficiary exposure to safety, security, and sexual exploitation and abuse were reviewed as part of programme set-up and beneficiary management.

30. The audit excluded from its review the tax numbering system and other ministerial databases of the Government of Ukraine on which the country office relies to identify beneficiaries. Auditing these systems is under the sole responsibility of the competent audit offices of the Government of Ukraine.

31. As a result of the review of supply chain processes in the planning phase, these processes were excluded from the areas in scope, except food safety and quality. This approach took into account the following factors: the waiver of regular procurement processes in place up to June 2022; most goods and services expenditure related to the financial service provider's fees; food procurement mainly related to corporate transactions (see paragraph 6970) and the Global Commodity Management Facility; and low materiality of local transport costs. Management of human resources in the emergency context was excluded from this report and is covered by the separate Internal Audit of Staffing in Emergencies, ongoing in parallel to this audit.

32. The audit reviewed how the country office is transitioning from an emergency/ scale-up approach to a longer-term setting with structured processes and internal controls. The audit also performed a review of the IT tools and application controls specifically developed for the humanitarian response in Ukraine.

33. The audit team conducted the audit fieldwork in Rome, with a field mission to the Ukraine Country Office from 14 to 18 November 2022.

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

⁸ Country portfolio budget: USD 1.9 billion, 18 months duration from 1 January 2023 to 30 June 2024.

⁹ Spend on the Ukraine Limited Emergency Operation at audit planning was USD 452 million (end of September 2022), of which strategic outcome 1 - activity 1 totalled USD 444 million.

¹⁰ Minimum controls defined by WFP's Management Assurance Project at the end of 2020 were considered where relevant.



III. Results of the audit

Audit work and conclusions

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

36. A simplified standard process diagram is included for three of the four 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 that were assessed as low priority were discussed with the country office directly and are not reflected in this report nor included in the diagrams.

Programme set-up and beneficiary management

37. WFP's response in Ukraine reached one million beneficiaries in March 2022 with in-kind assistance. From March to November 2022, the country office assisted a monthly average of 2.4 million beneficiaries.¹¹

38. The audit performed tests of key controls on needs assessments, targeting and prioritization, programme design and choice of modality, beneficiary data collection, analysis, and verification. It also carried out stress tests of key application controls tailored to the specific solutions used in the Ukraine response,¹² and in-depth data analytics of the beneficiary database in WFP's beneficiary management system (SCOPE). Audit tests also covered the community feedback mechanism – from collecting information and prioritizing cases to following up on actions. The results of this review are reported in the Monitoring and reporting section.

39. In general, controls over assessments, prioritization, programme design and cash-based transfer data collection, analysis, verification, and deduplication were operational.

Emergency response approach and coordination and alignment with the humanitarian community

40. WFP's intervention in Ukraine was structured in support of the in-country humanitarian community and UN-led inter-agency plans.¹³ WFP applied the Inter-Agency Standing Committee "no regrets" approach, defined in the Ukraine limited emergency operations risk appetite statement as "taking actions that are justifiable from a humanitarian perspective in response to an emergency before having all the facts and before it worsens, preferring to mobilize excess capacity and resources rather than risk failing to meet the most urgent needs of people in crisis" and a higher risk appetite threshold being accepted. At the same time, a structured risk-management approach was put in place since the inception of the emergency response, with risks regularly presented to the WFP operational task force.¹⁴

41. WFP actively participated in humanitarian coordination platforms. It co-led two subgroups of the Cash Working Group; and its cash-based transfer programme was aligned to the UN transitional framework 2023, with a harmonized transfer value and targeting criteria decided in the Cash Working Group. WFP provided a cross-organizational deduplication tool based on blockchain technology. As it is used for adjudication (i.e. the process of verifying the identities of duplicate beneficiaries to decide whether the records should be retained or removed) by WFP and partners. According to the country office management, this resulted in cost efficiencies.

¹¹ With in-kind assistance and cash-based transfers.

¹² These included tests of the registration application functionalities from the use of the Quick Response (QR) code to telephone numbers validation and tax identification numbers validation. These were carried out in a testing environment and coupled with analysis and triangulation of "production" data.

¹³ WFP operated on the basis on exchange of letters with the Government of Ukraine until the renewal of the 2015 basic agreement. The 2015 agreement had its legal basis in an agreement between the Government of Ukraine and the United Nations for the establishment of an interim office, dated 1992.

¹⁴ These meetings are attended by the WFP country office and senior management at the corporate level.



Needs assessments, targeting and registration

42. The country office carried out regular needs and market assessments to inform programmatic decisions, including the choice of delivery methods and targeting. WFP prioritized cash-based transfers where markets were functioning and in-kind assistance in areas close to the front line, where markets were disrupted.

Beneficiary management – cash-based transfers

43. To achieve a rapid scale-up, the country office leveraged technology available at organizational level and the existing social protection framework in the country.

- The WFP self-registration application allowed for the quick gathering of cash-based transfer beneficiary data and consent in the initial months of the response, but its use decreased over time.¹⁵
- A data sharing agreement with the Ministry of Social Policy allowed for the rapid scale-up of cash-based transfers¹⁶ in May 2022, avoiding duplication of efforts, and ensuring compliance with the martial law and data protection regulations.
- In August 2022, WFP extended the agreement with the Ministry of Social Policy, leveraging its beneficiary self-registration application (eDopomoga)¹⁷, and increased cash-based transfer targeting granularity and precision, shifting from status-based to vulnerability criteria-based targeting, in line with discussions in the Cash Working Group at the country level. WFP agreed to assist one million beneficiaries in August 2022 and a total 2.2 million by the end of the year.¹⁸

44. WFP relied on the Ministry of Social Policy's triangulation with other ministerial databases (see paragraph 30), for the cash-based transfer targeting criteria application and data cleaning and validation, in compliance with data protection regulations and the UN transitional Framework 2023, and to minimizing data transfer. To enhance the quality and accurateness of the data received, WFP started in November 2022 a project with the Ministry of Social Policy to upgrade the Unified Information System of Social Sphere, focused on the unified registry and its linkage, to enabling a transition to shock responsive social protection.

45. Remote targeting verification, undertaken by the country office through the service provider, took place through outbound calls to randomly generated numbers. Beneficiary identity verification at the cash-out stage (refer to Programme implementation – cash-based transfers) ensured that WFP was reaching the intended beneficiary.

In-kind assistance

46. During the audit period, in-kind assistance took place along the conflict front line, which remained volatile. The stakeholders met as part of the audit praised WFP's impressive response and its flexibility in rapidly covering newly accessible areas.

¹⁵ 143,138 registered beneficiaries in April 2022 and 156,000 in May 2022, representing approximately 25 percent of the May 2022 cash-based transfer beneficiary list. (Data source: WFP Ukraine cash-dashboard).

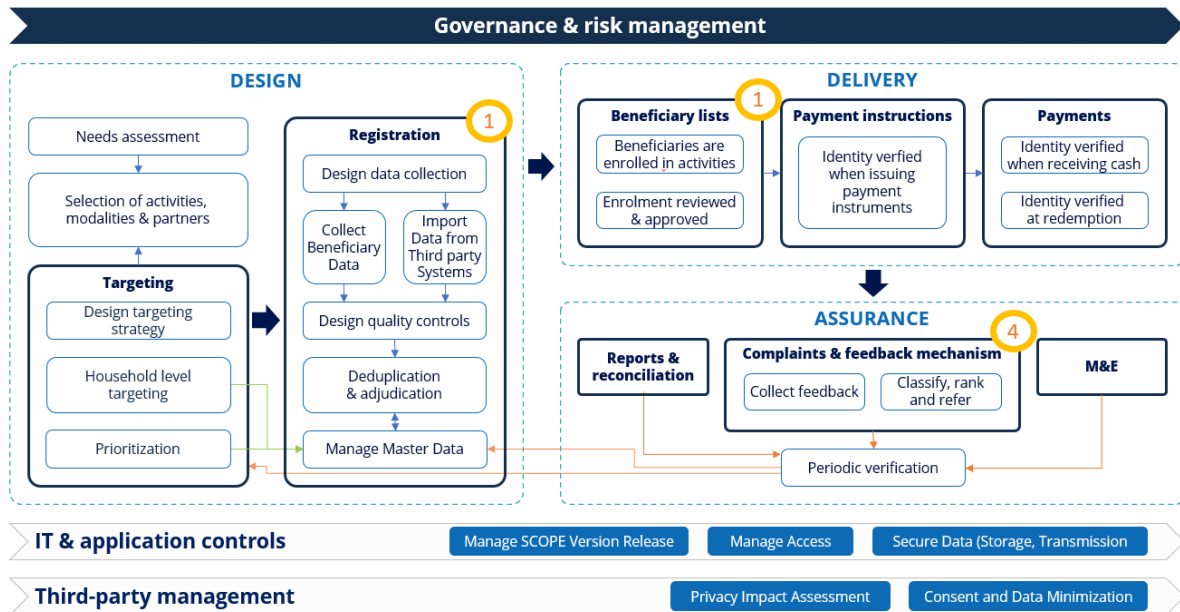
¹⁶ The Ministry of Social Policy provided data of 500,000 internally displaced people from the Unified Information Database on internally displaced persons.

¹⁷ Developed in March 2022 by the Information and Computing Centre of the Ministry of Social Policy and UNDP, eDopomoga is an application for fundraising and for vulnerable people support request. It received 10 million applications as of August 2022, of which 97 percent were from internally displaced persons and 51 percent from retirees. The Ministry of Social Policy indicated that another million beneficiaries were assisted by other international organizations (UNICEF, UNHCR, IOM, ICRC/URCS, others) [Conditions for the provision of monetary assistance from international organizations \(edopomoga.gov.ua\)](#)

¹⁸ Reaching 1.8 million beneficiaries as of October 2022.



Figure 1: Simplified process diagram and related audit observations for beneficiary management



Numbers in the diagram represent the related audit observations and their respective priority rating (yellow represents medium-priority observations).

Observation 1: Targeting and beneficiary data validation

Communication and clarification with donors on how WFP leverages the Ukrainian social protection system

47. The donors met during the audit recognized the importance of mobilizing national and local capacities, and of close engagement with governments for a more effective emergency response. They praised WFP’s decision to leverage the country’s existing social protection system to speed up identification, registration and verification of beneficiary data without duplicating efforts.

48. At the same time, in a context of their direct budgetary support to the Government of Ukraine and pressure to demonstrate results, donors highlighted the lack of clarity about how to transition the humanitarian response towards social protection, distinguish, and prevent an overlap, between those targeted in the humanitarian response from those already receiving social protection.

Targeting and beneficiary data validation

49. The country office started piloting vulnerability criteria-based targeting for in-kind assistance in August 2022, as reflected in the extension of its field-level agreements. Beneficiary identification and data collection were fully delegated to partners, based on the data provided by local authorities. The partners met during the audit confirmed the application of targeting criteria in stable food distribution points and of blanket assistance in more volatile areas, closer to the war contact zone, as well as in newly accessible areas.

50. While the field-level agreements retained WFP’s right to request beneficiary lists from partners, there was no direct validation or review of these lists by WFP during the audit period. The country office indicated that the recent UN Country Team (UNCT) advice to cooperate with local authorities¹⁹ will facilitate a proposal to leverage local authority beneficiary databases and transfer of personal data not yet allowed by the current set-up and regulations.

¹⁹ The UNCT in Ukraine encouraged cooperation with locally led coordination structures and invited humanitarian organizations to consult the list of needs and beneficiaries from local authorities/actors as a starting point, while upholding humanitarian principles.



51. Cash-based transfer beneficiary data deduplication focused on tax identification numbers as a unique identifier. The review of other data (for example, telephone numbers) or combination of data (names, telephone numbers, dates of birth and tax identification numbers) highlighted some duplicated beneficiaries and payments or data errors leading to unsuccessful transfers.

52. Specifically, data analysis and triangulation of beneficiary data undertaken by the audit team identified 9 duplicate tax identification numbers out of the 1.3 million cash-based transfer unique recipients reviewed (at the time of the analysis) and 1,206 potential duplicated individual beneficiaries, out of which the country office later identified 23 as high risk and reported a potential financial exposure of approximately USD 20,000. There is an opportunity through additional data analyses to identify data quality issues, address the related causes and strengthen controls.

Underlying cause(s): Donors' wish to distinguish their direct budget allocation usage between social protection and humanitarian needs; loss of institutional memory due to donor staff turnover; explaining better a non-standard humanitarian approach which leverages existing social protection systems for better efficiency; local data privacy and protection laws restricting personal data collection and transfer; hence, the need to minimize data collection and storage, limiting the information available in SCOPE; and initial data analysis and deduplication design not fully implemented.

Agreed Actions [Medium priority]

The country office will:

- (i) Communicate to donors how WFP's assistance supports the transition from humanitarian relief to shock responsive social protection.
- (ii) Re-assess the completeness of cash-based transfer data duplication/verification checks for enhanced data triangulation.
- (iii) Based on the relationship with the Ukrainian authorities and leveraging on the UNCT advice, assess opportunities for collecting and transferring necessary in-kind beneficiary data for data analysis and direct validation to prevent potential misuse of assistance and to further improve the reliability of data reported.

Timeline for implementation

- | | |
|-------|------------------|
| (i) | 31 December 2023 |
| (ii) | 30 June 2023 |
| (iii) | 31 December 2023 |



Programme implementation – cash-based transfers

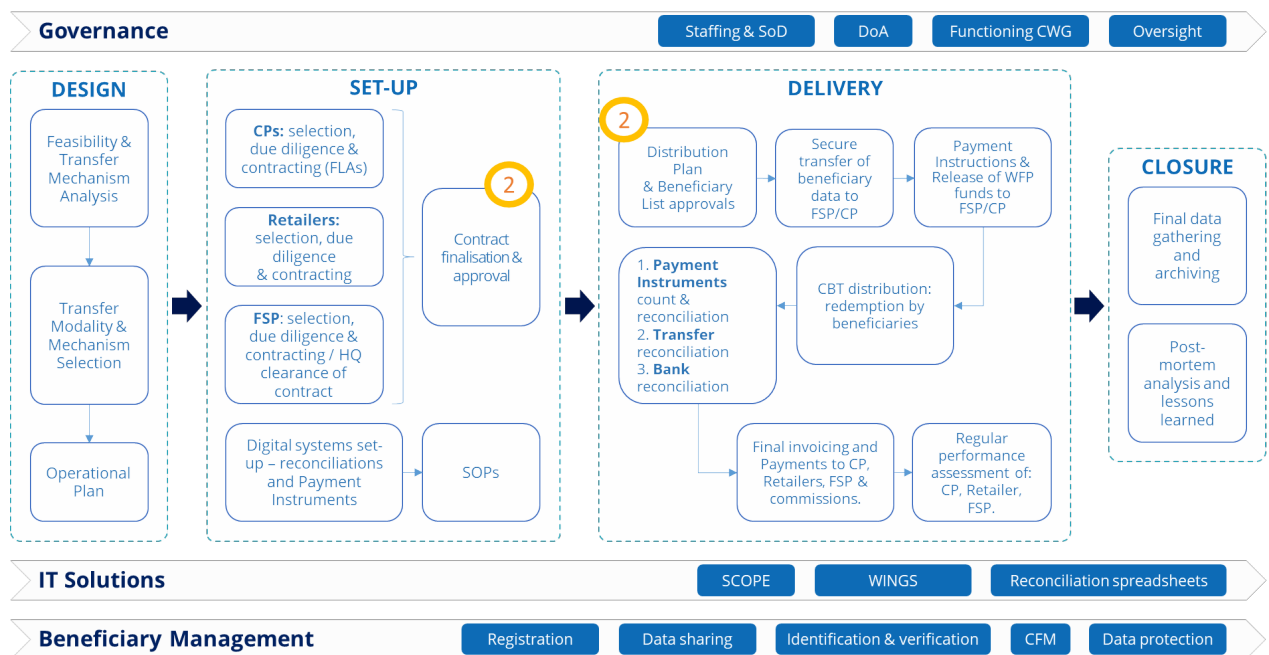
53. The country office leveraged WFP’s global long-term agreement with a financial service provider to implement its cash-based transfer operations. This allowed the delivery of cash transfers from April 2022 onwards and involved corporate support to manage the operation, including automated reconciliation at transactional level. Corporate processes were adapted to support the large scale of the operations in Ukraine, allowing WFP to remain within the credit limits provided for in the long-term agreement.

54. The country office delivered approximately USD 370 million to beneficiaries between April and November 2022 through unrestricted multi-purpose cash transfers.²⁰ WFP has registered over 2 million unique cash beneficiaries since the start of the operation and on average provided transfers to approximately 700,000 beneficiaries per month. Cash assistance prioritizes vulnerable populations in locations where food is accessible in shops, which in turn aims to support recovery and revitalization of local markets.

55. At the time of audit fieldwork, the country office had identified a local bank; completed a due diligence assessment thereof; and initiated negotiations with that bank for the provision of financial services to complement the services of the provider that has supported the operation from the beginning. Aspects of the set-up, reporting and risk mitigation measures were under discussion with the bank at the time of writing this report.

56. The audit performed tests of key controls in the cash-based transfer process and systems, focusing on set-up and delivery. Results indicated that controls relating to the exchange of beneficiary and transfer information with the financial service provider, the approval of payment instructions and transfer reconciliation were established and operating.

Figure 2: Simplified process diagram and related audit observations for cash-based transfers



Numbers in the diagram represent the related audit observations and their respective priority rating (yellow represents medium-priority observations).

²⁰ Multi-purpose cash assistance helps beneficiaries meet their own basic needs in the way they deem necessary. It is not restricted to any specific product or service, and the beneficiaries decide what they need to spend it on and where it is easiest for them to buy what they need.



Observation 2: Cash-based transfer reconciliation and assurance

Cash distribution plans

57. The country office did not retain an adequate audit trail of the changes made to monthly distribution plans and explanations for any errors in the accuracy of calculations. In the plan for July 2022, the country office added contingency amounts and incorporated the capping of household size to a maximum of three persons per household, resulting in an inaccurate calculation of the total planned transfer amount. Plans for other months had arithmetical errors or were based on inaccurate transfer values. These errors did not have material financial implications. Total amounts in distribution plans were not reconciled against actual distributions as recorded in corporate systems.

Automated reconciliation process

58. Corporate tools and procedures support the automated reconciliation of payment instructions issued to the financial service provider (through WFP's SCOPE system) and execution thereupon. The country office did not regularly follow up on the discrepancies identified through the automated reconciliation process between the payment instructions from WFP to the financial service provider and the disbursements actually executed. These discrepancies (representing 0.07 percent of all transactions between March and November 2022) were mainly cases of transactions reported by the financial service provider as successful, although they were not included in instructions initially sent by the country office.

59. Further, the automated data acquisition from the financial service provider through SCOPE relies on daily transaction reports, instead of the settlement files. Hence, discrepancies may be recorded due to inconsistencies in the daily transaction reports from the financial service provider. While a review of such discrepancies over two months indicates that they represent less than 1 percent of the number of transactions and related amounts, these discrepancies may indicate control weaknesses that require further attention.

60. Corporate standard operating procedures do not incorporate resolution and escalation protocols to address discrepancies, which creates a gap in identifying issues.

Beneficiary identity verification

61. Under the corporate long-term agreement with the financial service provider, beneficiaries may collect their cash entitlements in person at designated shops. The financial service provider offers an alternative cash-out option through direct credit of cash entitlements into the beneficiaries' bank accounts using the financial service provider's mobile application or other available online channels. The financial service provider also confirmed to the audit team that they carry out the key identity control for all the cash-out alternatives offered. The legal agreements between WFP and the provider only foresee the in-person cash collection option, which leaves a loophole and creates a potential liability in the current set-up.

Underlying cause(s): prioritization of delivery of cash transfers over reporting and regular reconciliation through corporate systems; discrepancies at transaction status level and inconsistencies in financial service provider reporting leading to inconsistencies and manual upload of files for reconciliation; and outdated corporate agreements not considering all cash-out alternatives, as some alternatives are only possible in a highly digitized country.



Agreed Actions [Medium priority]

- 1) The country office will:
 - (i) Ensure traceability of changes made to distribution plans, regularly reconciling cash transfer information across corporate systems.
 - (ii) Incorporate procedures for regular follow-up and analyses of discrepancies identified through the automated reconciliation dashboard.
- 2) In coordination with the financial services provider, the Business Development Cash-Based Transfers Unit (FINB) and the Digital Services Branch of the Technology Division (TEC) will implement the changes required in the WFP's corporate solutions for accurate transaction status reporting.
- 3) In the context of the renewal of the long-term agreement with the financial service provider, the WFP Cash-Based Transfers Division, in coordination with the Business Development Cash-Based Transfers Unit and the WFP Legal Office, will incorporate clauses on beneficiary identity verification for online cash-out alternatives, and update the template for country-specific agreements as needed.

Timeline for implementation

- 1) 30 June 2023
- 2) 30 June 2023
- 3) 30 June 2023



Programme implementation – in-kind assistance

62. WFP established in-kind food assistance in March 2022. As WFP had not had an operational presence in the country since 2018, the country office faced the challenge of operating without a pre-established supply chain set-up, including pre-qualified suppliers, related logistical arrangements and partnerships. WFP delivered 137,000 metric tons of food between March and November 2022 through immediate response and ready-to-eat food rations, reaching on average 1.8 million beneficiaries per month. In-kind food assistance focuses on areas where markets are not functioning and where it is the only viable modality to address food insecurity.

63. Adhering to the Inter-Agency Standing Committee “no regrets” approach to emergency response, the country office initially operated with a waiver of regular controls, specifically those related to the selection of suppliers and pre-shipment inspection of commodities. Waived processes were reviewed, and standard controls were regularized after three months of operations.

64. The country office implemented various actions to address the food safety and quality issues that affected the operation in the early months: it drafted tailored standard operating procedures, recruited a local specialist and implemented a food incident management committee. Food safety and quality incidents were reported as per corporate requirements. The WFP headquarters Food Quality and Safety Unit carried out a thorough review of the incidents (what went wrong) to identify specific root causes and actions to prevent the same issues from reoccurring. The after-action review also recognized the absence of preparedness as a major risk in this area.

65. In-kind assistance in Ukraine was delivered through cooperating partners, in charge of targeting, registration and identification of beneficiaries; engagement with local authorities for beneficiary lists; transport of bread to distribution points; distribution; and reporting.

66. The audit performed tests of key controls related to the implementation of in-kind food assistance, focusing on cooperating partners’ capacity assessments, delivery and reporting, and the management of food safety and quality risks.

67. Key controls over cooperating partner management were operational. The country office completed the minimum mandatory controls in line with emergency protocols for operating in a non-presence country and provided training to cooperating partners, including on humanitarian principles and prevention of sexual exploitation and abuse and WFPs anti-fraud and anti-corruption policy.

68. Performance assessments were completed and informed the extension of field-level agreements along the extended duration of the limited emergency operation. At the time of the audit field mission, the country office was in the process of completing an expression of interest for partner selection for the upcoming transitional interim country strategic plan 2023 – 2024.²¹

Observation 3: Food safety and quality management strategy and achievements tracking

69. The country office reported 14 food safety and quality incidents between January and October 2022, 8 of which related to canned food.

70. Between January and July 2022, on average, 82 percent of food procurement was carried out internationally from WFP headquarters. WFP did not have a formalized presence in the country and WFP was unable to contract with local suppliers. As a result, WFP resorted to waiving due diligence procedures and purchased food from suppliers which were not pre-qualified and/ or were located mainly outside Ukraine. Although the limited emergency operation foresaw the distribution of food items that require strict food safety and quality assurance procedures (such as canned food and ready-to-eat rations), corporate food safety and quality advice was not incorporated at the early stages of the emergency response,

²¹ From January 2023 to June 2024.



71. From August 2022 onwards, the country office gradually shifted to an increased share of local food procurement, reaching 98 percent of total food purchases in October 2022. The process to onboard new local suppliers was supported by headquarters-managed vendor due diligence assessments: at the time of the audit fieldwork, only two of four vendors initially considered as potential suppliers had passed the assessments. The draft standard operating procedures on food safety and quality developed by the country office also foresee technical assessment visits to prospective suppliers but do not detail the benchmarks, tools and procedures to be used for such visits.

72. The country office did not consistently track changes to distribution plans and food release notes. It also did not carry out systematic analysis of planned versus actual achievements. Distribution data were recorded in the WFP corporate system (COMET) based on end-of-day and monthly partner reports. In the sampled distributions reviewed for August and September 2022, the lack of availability of canned food impacted commodities distributed as part of rapid response rations, therefore consisting, at times, of bread only. Rapid response rations were distributed for new displacements and as new territories became accessible; they were planned to be followed by graduation into targeted general food distributions. Dispatches and distribution reconciliations were under finalization at the time of report writing.²²

Underlying cause(s): In-kind beneficiary data not directly collected by the country office; existing data protection regulations restricting transfer of personal data collected by cooperating partners; in rapid response context, incomplete feedback loop on issues experienced on past distributions to improve future ones; absence of supply chain preparedness in a country with no operational presence; limited corporate experience in the use of canned food as part of WFP regular/protracted emergencies; the scale of the emergency; and the prioritization of urgent food distributions with delayed attention given to food safety and quality aspects.

Agreed Actions [Medium priority]

- 1) The country office will:
 - (i) With the support of the Food Safety and Quality branch at headquarters and the regional bureau for the Middle East, Northern Africa and Eastern Europe, implement a food safety and quality strategy for the operation, to supplement the existing draft standard operating procedures, considering the various risks related to the provision of ready-to-eat rations and other commodities to be distributed to beneficiaries.
 - (ii) Establish a detailed plan for supplier due diligence, including technical visits, and establish a procedure to monitor the implementation of actions agreed upon with suppliers.
 - (iii) Along with the registration of beneficiary data, establish systematic tracking of changes and adjustments to distribution plans compared to actual distribution.
- 2) The Supply Chain Operations Division (SCO) in coordination with the Emergency Division, will:
 - (i) Ensure the timely incorporation of food safety and quality advice and procedures at early stages of emergencies; and implement, as needed, additional procedures for higher-risk commodities.
 - (ii) Support WFP emergency preparedness procedures through the pre-qualification of suppliers and the implementation of framework agreements that can be utilized in sudden onset emergencies, including in countries with no WFP operational presence.

Timeline for implementation

- 1) 30 June 2023
- 2) 30 June 2023

²² 95 percent were reconciled for the audit period, which is considered a good performance as per WFP thresholds.



Monitoring and reporting

73. Operating in the context of an active conflict where security and access restrictions limited direct monitoring, the country office engaged a third-party monitor in May 2022. The office also rapidly rolled out corporate monitoring systems and processes as the emergency evolved. It was noted that the country office received and reported most distributions carried out by cooperating partners in COMET.

74. WFP corporate monitoring requirements prioritize output and process monitoring of distributions on site and among beneficiaries at the onset of an operation. In July 2022, the country office conducted market analyses of the macroeconomic situation, with an emphasis on food affordability, availability and accessibility. These informed interventions and programme design for scaling up.

75. For data collection of in-kind process monitoring, face-to-face interviews took place during visits to food distribution points, using WFP systems and tools. For cash-based transfers, in the absence of physical distributions, monitoring took place remotely and relied on calls to a sample of assisted beneficiaries. At the time of the audit field mission, the country office was conducting a data privacy impact assessment for the cash modality aimed at identifying, evaluating and addressing risks arising from the collection and utilization of personal data (including through monitoring activities).

76. At the time of the audit field mission, a major donor began third-party monitoring of its funded activities in Ukraine, including WFP interventions. The country office was, at the time, in the process of agreeing on a communication protocol with the donor to ensure an appropriate information sharing and reporting of any WFP operational issues that required prompt action.

77. To ensure accountability to affected populations, the country office established different community feedback mechanisms, including a WFP toll-free hotline, help desks at distribution sites, social media, webpages and inter-agency mechanisms such as chatbots and hotlines. The quality of the intake data²³ was good, with clear categorization along the following topics: request for information, barriers to access, request for assistance, technical requests, allegations of misconduct, safety and dissatisfaction with service.

78. The community feedback mechanisms serve as a two-way communication channel providing, on the one hand, key messaging and information directly to users with enquiries and, on the other hand, information to WFP about needs on the ground. In addition, a community feedback mechanism creates a pathway for the referral of issues raised and supports centralized trend analysis for informed decision making.

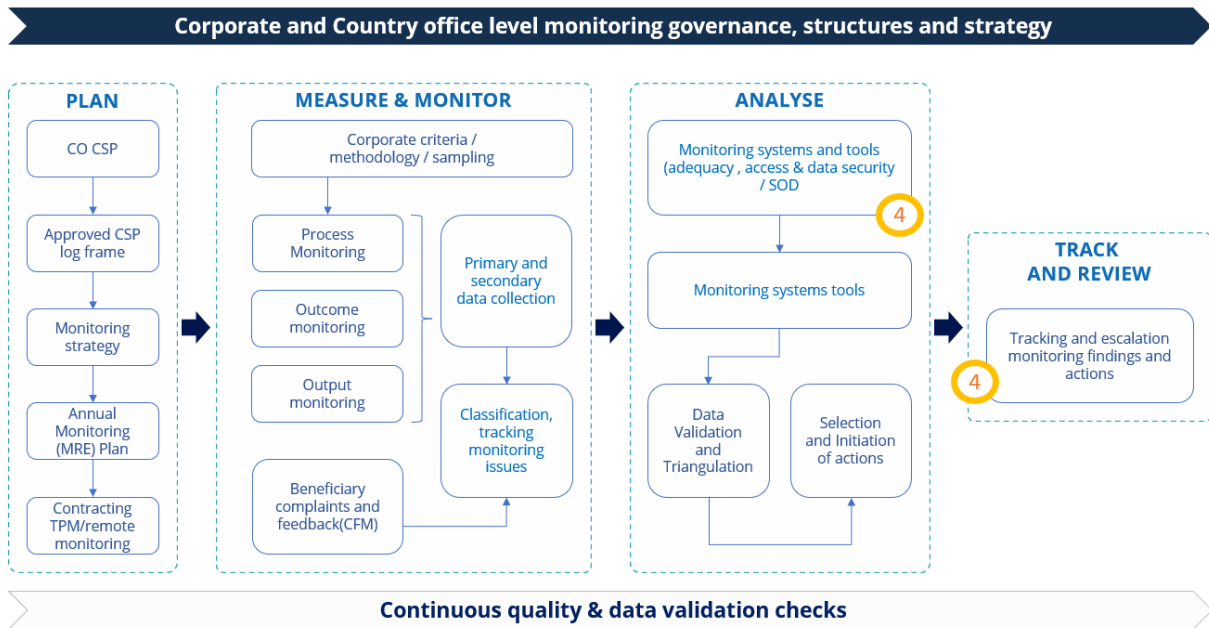
79. The audit performed tests of key controls of the monitoring adapted to the emergency, monitoring coverage, use of corporate methodology for sampling and selection of monitoring sites, consolidation, tracking and reporting of monitoring issues. The design and set-up of community feedback mechanisms, including controls in intake, issue escalation, tracking and reporting of community feedback mechanism cases were also tested.

80. Overall, key controls over monitoring, community feedback mechanism design, as well as information gathering and data collection were established and operating.

²³ The WFP Corporate Monitoring Division supported the country office in defining the new intake format, which is under consideration as the new corporate template to be rolled out to all country offices.



Figure 3: Simplified process diagram and related audit observations for monitoring



Numbers in the diagram represent the related audit observations and their respective priority rating (yellow represents medium-priority observations).

Observation 4: Monitoring coverage, community feedback processing and tracking

81. The country office aligned its monitoring approach to reflect the scale-up of operations and to provide information and evidence on coverage of the emergency response. As a result of the ongoing conflict, food distribution points are fluid with locations changing constantly. In some regions, mobile food distribution is used depending on security, which is challenging for monitoring planning. The need to map out stable food distribution points has become apparent to allow for systematic coordination between third-party monitors and cooperating partners as well as to improve clarity on the monitoring coverage achieved for each distribution cycle.

82. The country office set up a toll-free hotline, leveraging Ukraine’s telecommunications network and level of digitization to obtain feedback from beneficiaries. The majority of the community feedback mechanism cases related to beneficiaries enrolled in the cash-based transfer intervention. The cases are processed by a third-party operator for first case resolution or are escalated depending on the subcategory of the case. The resolution and basis for closing cases were not consistently tracked.

83. The corporate system for community feedback mechanisms had limitations as it did not prevent users from closing cases without adequate resolution steps. Visibility over the aging of open cases was insufficient given the huge volume of beneficiary calls requesting information and the possible mis-categorization of cases that required immediate attention.

84. Cases related to in-kind and value voucher beneficiaries were limited as cooperating partners manage and resolve such complaints at helpdesks set at food distribution points. In addition, access and communication challenges in front-line areas limited beneficiary awareness of the community feedback mechanism. Further, the country office did not maintain records of complaints resolved and escalated by cooperating partners, as per the field level agreement.

85. Traceability, escalation and resolution of monitoring issues received from third-party monitor reports and back to office reports by country office staff after field visits were also not systematically tracked.



Underlying cause(s): Insecurity and ongoing conflict; constant changes in food distribution points depending on the security situation; huge volume of calls by beneficiaries; data sharing limitations with third-party monitors/ cooperating partners to allow visibility and follow-up on in-kind assistance cases; technical limitations in the implementation of the community feedback system in requiring resolution steps prior to closing cases; and lack of a corporate system for monitoring issue escalation, tracking and closure.

Agreed Actions [Medium priority]

- 1) The country office will:
 - (i) Map food distribution points and consider geo-mapping tracking for on-site monitoring of in-kind assistance.
 - (ii) Request cooperating partners to share distribution plans on time to enable the third-party monitors and WFP to plan monitoring activities.
 - (iii) Implement the corporate standard field level agreements with cooperating partners, including clauses on community feedback.
 - (iv) Implement the corporate solution for tracking monitoring findings and community feedback.
- 2) The Technical Assistance and Country Capacity Strengthening Service (PROT) will explore and modify the functionalities of the corporate system for community feedback mechanisms to allow for (i) the closure of escalated issues only after the resolution of action implementation and (ii) its use also for tracking issues raised by process monitoring and/or other sources.

Timeline for implementation

- 1) 31 December 2023
- 2) 31 December 2023



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, with three actions addressed at corporate level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Targeting and beneficiary data validation	Programme set-up and beneficiary management	CO	Medium	31 December 2023 30 June 2023
2	Cash based transfer reconciliation and assurance	Programme implementation – cash-based transfer	CO WFP FINB & TECD	Medium	30 June 2023
3	Food safety and quality management strategy and achievements tracking	Programme implementation – in-kind assistance	SCO CO	Medium	30 June 2023
4	Monitoring coverage, beneficiary feedback processing and tracking	Monitoring and reporting	CO PROT	Medium	31 December 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.²⁴

²⁴ 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
COMET	Country Office Tool for Managing (programme operations) Effectively
CP	Cooperating Partner
CWG	Cash Working Group
DoA	Delegation of Authority
FINB	WFP Business Development Cash-Based Transfer unit
FLA	Field Level Agreement
FSP	Financial service providers
ICRC	International Committee of the Red Cross
IOM	International Organization for Migration
MRE	Annual Monitoring Plan
PROT	WFP Technical Assistance and Country Capacity Strengthening Service
SCO	WFP Supply Chain Division
SCOPE	WFP beneficiary information and transfer management platform
SoD	Segregation of duty
SOP	Standard Operating Procedure
TEC	WFP Technology Division
TPM	Third Party Monitoring
UCRS	Ukrainian Red Cross Society
UNHCR	United Nations High Commissioner for Refugees
UNCT	United Nations Country Team
USD	United States dollars
WFP	World Food Programme

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