

23 May 2023

### **Management Comments to the Internal Audit Report of WFP Operations in Ukraine (AR/23/04)**

WFP Management welcomes the observations made by the Office of the Inspector General (OIG) in its internal audit report (AR/23/04) on WFP operations in Ukraine, covering the period from 25 February to 30 September 2022. WFP Management appreciates the focus on end-to-end delivery processes, including programme set-up and beneficiary management; programme implementation; cash-based transfers; in kind assistance; and monitoring and reporting processes.

WFP operations during the time of the audit were defined through a Limited Emergency Operation and four budget revisions approved by the Executive Director. In December 2022, a Transitional Interim Country Strategic Plan (2023–2023) was approved focusing on crisis response and capacity strengthening of both the Government and non-government partners. WFP Management acknowledges the complexity of the operating environment, which has been exacerbated by security concerns and energy limitations emanating from the crisis in Ukraine. The ongoing crisis has led to changes in areas controlled by the Government of Ukraine in the east and south of the country, which affected access to people in need. Despite these challenges, in 2022, WFP delivered assistance to 10 million people through a combination of in-kind food assistance and cash-based transfers.

WFP Management recognises the audit’s overall conclusion of “**some improvement needed**” and agrees with the four medium-priority observations, three of which have an action at corporate level. WFP Management fully endorses the corresponding agreed actions and has initiated their implementation, with completion expected within the agreed timelines. WFP Management notes the efforts made to establish key controls in the early stages of 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; and a structured performance assessment of cooperating partners. Specific actions that are already underway to address the observations are as follows:

- Observation 1 (Targeting and beneficiary data validation): The country office continuously provides donors with a clearer and improved understanding of WFP’s response and will continue to: carry out regular core donor meetings on a quarterly basis; engage with donors through the humanitarian country team; and conduct bilateral discussions on transitioning from humanitarian cash assistance to shock responsive social benefits through the Perekhid Initiative, which is jointly chaired by large donors, the United Nations and the Ministry of Social Policy. The country office started registering its in-kind beneficiaries and estimates that registration levels will reach 70 percent in 2023 and contribute to further improving targeting and beneficiary data validation. The registered beneficiary data will be securely stored in corporate servers and used to analyse potential duplication and gaps. The country office also enhanced its data triangulation by performing quarterly reviews and reconciliation of its cash assistance. The results are discussed by the local cash working group and presented to country office management.
- Observation 2 (Cash-based transfer reconciliation and assurance): The country office uses existing corporate tools and benefits from the support provided by the relevant headquarters team to ensure the traceability of changes and adjustment of cash-based distribution plans and actual

distributions. The country office notes the observations related to changes in the corporate system for accurate transaction status reporting and incorporating clauses on beneficiary verification for online cash-out alternatives and has updated the template for country-specific agreements. The country office will provide proactive support to the relevant headquarters units to implement the agreed actions.

- Observation 3 (Food safety and quality management strategy and achievements tracking): Before the internal audit exercise, the country office started to implement its food safety and quality strategies by hiring additional specialized employees and creating a plan for supplier due diligence. Physical visits to supplier premises have been initiated, and any challenges or food quality issues identified were discussed with suppliers and escalated to the Regional Bureau for the Middle East, Northern Africa and Eastern Europe and headquarters, as required, and in line with existing protocols.
- Observation 4 (Food safety and quality management strategy and achievements tracking): As a standard practice, the country office continues to strengthen the coordination between cooperating partners and its field offices by ensuring effective communication during distribution cycles. The country office started to map its cash assistance distribution points and will continue to collect this information once the security situation across the country stabilises. Further, the country office started to pilot the new corporate solution where SugarCRM will be used for tracking monitoring findings.

WFP Management would like to thank the Office of the Inspector General for the meaningful collaboration and support, and the thorough analysis undertaken in collaboration with the country office team, including visits to the Kyiv office. WFP Management is confident that the implementation of agreed actions by the respective due dates will further strengthen the governance, risk management, and internal control processes of WFP's operation in Ukraine.