

14 August 2023

Management Comments to the Internal Audit Report of WFP Operations in Ethiopia (AR/23/07)

WFP Management welcomes the observations made by the Office of the Inspector General in its internal audit report on WFP operations in Ethiopia (AR/23/07), covering the period from 1 June 2021 to 31 August 2022. WFP Management appreciates the focus on beneficiary management, monitoring mechanisms, supply chain management, service provision as well as the tailored review of Ethiopia's programme design. WFP Management values the integration of the Regional Bureau for Eastern Africa's oversight findings in the audit process.

The audit period was characterised by the compounding effects of the conflict in Northern Ethiopia and drought in the Somali region at a time when the country was just beginning to recover from the COVID-19 pandemic. WFP operations faced significant operational challenges related to supply chain disruptions and impediments to humanitarian operations including limited access and connectivity. WFP was actively involved in responding to all three crises, with operations required to function with a high degree of flexibility and agility to deliver much needed lifesaving assistance to millions of beneficiaries. During the audit period, inflation also began to increase rapidly, which was intensified by additional inflationary pressure from the Ukraine crisis, impacting the operation's ability to deliver fully on its mandate. The nature of the operational context and its impacts on control issues identified by the audit team were well set out in the report, and WFP Management is grateful for the efforts made in understanding the aforementioned.

WFP operations in Ethiopia are defined by its country strategic plan (CSP) for the period 2020–2025. It focuses on addressing the immediate needs of refugees, internally displaced persons and other communities that are food insecure and undernourished, as well as enhancing the resilience of communities to better withstand climatic and other shocks, through the development of communal production capacity and the creation of linkages to markets to support effective food systems. WFP has been working closely with the government and non-governmental organisation (NGO) partners in implementing the CSP.

WFP Management acknowledges the report's overall conclusion of **"major improvement needed"** and agrees with the four high-priority and five medium-priority observations contained in the audit report. While recognising the work done by the auditors in preparing the report, WFP Management would have appreciated incorporation of more of the inputs provided by the Country office, which would have resulted in a more holistic and balanced report; this is particularly in relation to the discussion of some of the audit observations, as well as to the ongoing efforts which the country office has made to strengthen internal controls. Notwithstanding, WFP Management fully endorses the corresponding agreed actions and has initiated their implementation, with completion expected within the agreed timelines.

WFP has already begun taking steps to address the control issues identified in the audit observations. WFP Management notes that many of the agreed actions are aligned to the work carried out by the country office with support from the Regional Bureau for Eastern Africa and headquarters units under the Ethiopia Assurance Project, which aims to strengthen internal controls and ensure a comprehensive



level of oversight over cooperating partners. This project aims at enhancing beneficiary identification, targeting and registration and digitizing these processes to prevent manipulation by improving monitoring systems and expanding the use and capabilities of third-party monitoring partners and leveraging technology for better monitoring. In addition, robust accountability mechanisms are being incorporated into supply chain and distribution processes to enhance the WFP's oversight over commodity movements.

WFP Management is committed to continued improvement of the internal control environment, and adequacy of governance arrangements and risk management to support optimal operational efficiency and a reasonable level of assurance over achievement of objectives. WFP's top priority is ensuring that the people who need its assistance receive it safely, in full, and without interference. A dedicated roadmap will be developed to address the agreed actions and ensure that there is synchronisation of efforts within the Ethiopia Country Office, as well as leveraging support of the Regional Bureau for Eastern Africa and headquarters units.

WFP Management would like to thank the Office of the Inspector General for the meaningful collaboration and support, and the thorough analysis undertaken in Ethiopia, including visits to field offices. 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 operations in Ethiopia, as well as provide lessons for other operations of a similar risk profile.