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Internal Audit of WFP Operations in Bangladesh

Office of the Inspector General
Internal Audit Report AR/23/19

WFP
World Food Programme

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I. Executive summary

WFP Bangladesh Country Office

1.   As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Bangladesh that focused on key controls under priority focus areas informed by a risk-based approach. These areas included governance, programme management, non-governmental organization management, cash-based transfers, monitoring, budget management and security. The audit covered the period from 1 January 2022 to 31 March 2023.

2.   The Country Strategic Plan for 2022–2026 is aligned with the United Nations Sustainable Development Cooperation Framework for Bangladesh and the Government of Bangladesh's five-year plan. Through four strategic outcomes, the country strategic plan aims to strengthen country capacities, resilience-building programmes and, upon request by the government, respond to crises through the provision of food and nutrition assistance to affected people and through coordination and common services to humanitarian partners.

3.   In 2022, WFP expenses amounted to USD 277 million. The country office reached 1.7 million beneficiaries. The audit focused on strategic outcome 1: *Populations affected by crisis in Bangladesh are able to meet basic food, nutrition and other essential needs during and after crises.* This outcome area accounted for 95 percent of the country office's total expenses during 2022.

Audit conclusions and key results

4.   Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **Major improvement needed**. The assessed governance, 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.

Country office's achievements

5.   Overall, the Office of Internal Audit recognizes the efforts made by management over the audit period to improve risk management, processes and controls since the last internal audit in 2021[1] and address known risks. The country office has been proactive in consulting and requesting support from the Regional Bureau for Asia and the Pacific and headquarters. In 2022, the country office has received oversight and support missions covering various functional areas and processes. In terms of its organizational structure, the country office adjusted its organigram and overall programming to build cohesion between its operations in the Cox's Bazar Area Office and those in the Dhaka Country Office. In the context of decreasing resources, there were still staffing gaps in critical support functions such as risk management, partner management and digital support.

Digital solutions for programme delivery

6.   Although the country office used WFP's corporate beneficiary information and transfer management platform to manage beneficiary identities, end-to-end delivery processes were fragmented across multiple applications and continued to require manual interventions, which increased risks of errors and data manipulation and created an incomplete audit trail. Errors noted in the upload of entitlements in two of the country office's main transfer platforms highlight the need to rationalize processes and applications. The country office's digital solutions team was in the process of developing technical solutions, in coordination

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[1] Internal audit of WFP operations in Bangladesh, 2021, link.

with headquarters, to address the limitations of existing tools. More work was needed at the corporate level to review WFP's information and technology target state architecture and plan a rationalization of WFP's application portfolio.

Cash-based transfers

7.   The country office completed a review of its cash-based transfer processes in March 2023 to ensure they fully met WFP's cash assurance framework. Long-standing risks were known to the country office and were highlighted in the 2021 internal audit and a regional bureau management oversight mission in 2022. The use of non-governmental organizations as cash transfer agents was not accompanied by appropriate risk mitigation measures and, in the absence of data analytics tools and strong detective controls, the country office's ability to detect errors and fraud in a timely manner was limited.

Programme design, implementation and monitoring.

8.   The design of programmes led to risks and non-compliance with corporate guidance. The country office simplified the country strategic plan by consolidating various activities into one item, posing risks to outcome and expense monitoring. The inclusion of multiple resilience activities complicated beneficiary management. Additionally, the country office provided services to the humanitarian community and the host government without formal service-level agreements.

9.   WFP relied on the beneficiary lists that UNHCR shared on a monthly basis and, while stable, the exact number of beneficiaries was not precisely known, due to complex and lengthy governmental authorization processes to periodically undertake verification exercises on the full population. In this context, the risks brought by discontinuation of biometric authentication at the onset of the COVID-19 pandemic had not been reassessed by the country office in line with WFP's practice and UNHCR arrangements in a refugee context.

10.   Field monitoring was reaching minimum monitoring coverage at programme implementation sites, albeit not for all programme activities. With the support of headquarters and the regional bureau, the tracking, escalation and follow-up of monitoring findings and issues arising from the community feedback mechanism should improve so that cases are referred and addressed in a timely manner.

11.   Other issues were noted in non-governmental organization management, and budget management, which collectively could jeopardize the country office's objectives.

Actions agreed

12. The audit report contains two high-priority observations and 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!

13.   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

Bangladesh

14. Bangladesh has made significant progress towards zero hunger: the country is self-sufficient in its production of rice, meat and fish and is on track to meet high-level targets for reduced stunting and wasting. The country is among the most densely populated in the world. Natural disasters, erosion, landlessness and unemployment have accelerated migration to cities: about a third of the population – 55 million people – live in cities.[2] Bangladesh faces an emerging "triple burden" of malnutrition. Interventions are required throughout food systems to enhance the availability of, access to, and utilization of nutritious diets. The COVID-19 pandemic created a new group of poor and vulnerable Bangladeshis, disproportionately found in urban areas.[3] The March 2023 Integrated Food Security Phase Classification[4] estimated that 8.9 million people – 24 percent of the population – were in phase 3 (crisis) and phase 4 (emergency).[5]

15. The situation of the Rohingya refugees remained concerning as most refugees would be unable to meet basic needs without assistance. As of March 2023, an estimated 45 percent of the 957,971 Rohingya refugees in the country were in food security phase 3 (crisis) and phase 4 (emergency).

WFP operations in Bangladesh

16. The country office launched its 2022–2026 Country Strategic Plan in January 2022 with a budget of USD 1,620 million. As of December 2022, the country strategic plan's cumulative expenses were USD 273 million.

17. At the time of audit fieldwork, the country strategic plan was 120 percent funded against the 2022 needs-based plan of USD 310 million and 62 percent funded against the 2023 needs-based plan of USD 308 million. As funding decreased in 2023, the country office started to implement cost-reduction measures, including ration cuts for refugees.

18. In 2022, the country office directly assisted 1.7 million beneficiaries by delivering USD 158 million through cash-based transfers and 17,000 metric tons of food worth USD 17 million, respectively 90 and 10 percent of the total transfer value.

19. In 2022, WFP sustained its life-saving food and nutrition assistance to refugees and Bangladeshis vulnerable to food insecurity. All Cox's Bazar refugees received a monthly e-voucher to buy food items of their choice. WFP scaled up operations on the island of Bhasan Char, providing a monthly ration to all refugees who had been relocated. Malnutrition prevention and treatment services, along with livelihoods, disaster risk reduction, self-reliance and school feeding activities continued throughout 2022.

20. The country office provided technical support to the government to reach 10.8 million people through the national school feeding programme with micronutrient-fortified biscuits and social protection programmes via fortified rice distributions. WFP provided services to UN agencies, such as digitalizing their assistance programmes, and implemented joint projects across Cox's Bazar refugee operations, Dhaka urban programming and the June 2022 flood response.

21. The country office initiated an organizational alignment in 2021 and strategic workforce planning in 2022 to implement its country strategic plan and build cohesion between its operations in the Cox's Bazar Area Office and those in the Dhaka Country Office.

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[2] Bangladesh Country Strategic Plan (2022–2026), link

[3] Bangladesh Country Strategic Plan (2022–2026), link

[4] The Integrated Food Security Phase Classification (IPC) is a common global scale for classifying the severity and magnitude of food insecurity and malnutrition.

[5] IPC Acute Food Security Analysis, March 2023, link

Objective and scope of the audit

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

23. The audit focused on activity 1 within the Country Strategic Plan 2022–2026, under strategic outcome 1, *Populations affected by crisis in Bangladesh are able to meet basic food, nutrition and other essential needs during and after crises*, representing 95 percent of the country office's total expenses over the audit period:

  ▪ *Activity 1 – Provide food, nutrition and self-reliance assistance to crisis-affected populations.*

24. As part of the scope for this audit, the Office of Internal Audit applied the focused audit approach developed in the COVID-19 context, focusing on five key areas of the end-to-end country office delivery process (beneficiary management, cash-based transfers, supply chain, monitoring and finance), complemented with a risk-based audit methodology to determine additional priority focus areas.

25. The internal audit of WFP operations in Bangladesh builds on this risk-based audit methodology and leveraged second-line assurance work to determine the priority focus areas for the audit. To minimize duplication of efforts, the audit partially relied on the regional bureau's comprehensive oversight mission conducted in September 2022, which covered cash-based transfers, budget, finance, human resources and administration.

26. As a result, the seven areas in scope for the audit include: (i) governance; (ii) programme management; (iii) non-governmental organization management; (iv) cash-based transfers; (v) monitoring; (vi) budget management; and (vii) security, as detailed in Figure 1 below.

  Figure 1: Areas in audit scope

| Governance | Programme management | NGO Management | Cash-based transfers | Monitoring | Budget management | Security |
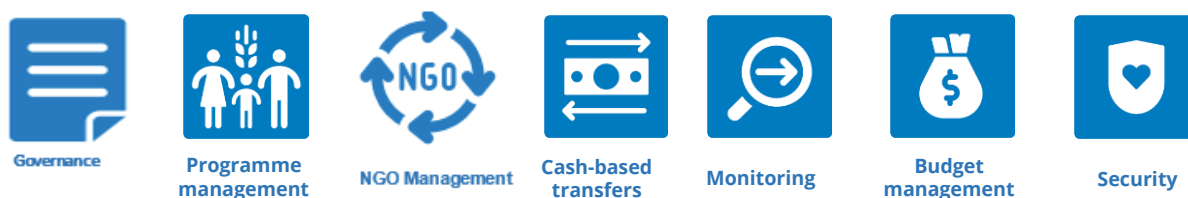
27. The audit mission took place from 19 June to 6 July 2023 at the country office in Dhaka, including a visit to the Cox's Bazar area office.

28. 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

29. Nine observations arose from the audit, relating to governance, programme management, non-governmental organization management, cash-based transfers, monitoring and budget management.

30. A simplified standard process diagram is included for several audited functional areas. These diagrams indicate the main control areas reviewed. When the audit noted exceptions or weaknesses, the related observations are shown, along with their priority rating (red for high-priority and yellow for medium-priority observations). Any other audit issues assessed as low priority were discussed with the country office directly and are not reflected in the report.

Governance

31. In 2022, the country office carried out an organizational alignment review with the main objective to ensure constant alignment of the country office's structure with its evolving strategy, business processes, resources and workforce profiles. The recommended organizational structure aimed to transition the office to a 'One Country, One Operation' approach. Specifically, the country office adjusted its line of sight, organigram and overall programming to build cohesion between its operations in the Cox's Bazar Area Office and those in the Dhaka Country Office. This transition was accompanied by the relocation of several heads of units from Cox's Bazar to Dhaka to harmonize the country office's governance model and processes.

32. The audit report includes an observation on the country office solution architecture for beneficiary identity and transfer management which refers to WFP's unclear direction on the technology to support identity and transfer management. The fragmented information technology landscape, as observed in the Bangladesh country office, is a corporate issue which has been highlighted since 2018 in the Annual Report of the Inspector General. In June 2023, the Technology Division initiated a review of WFP's information and technology target state architecture and is planning a rationalization of WFP's application portfolio in 2024. The 2024 assurance workplan of the Office of Internal Audit comprises the corporate audit of Identity management including digital systems.

33. In March 2020, as part of the humanitarian response to the Rohingya refugee emergency in Cox's Bazar, the Building Blocks[6] platform was introduced to enhance the effectiveness of WFP's cash-based interventions. As of August 2023, WFP Bangladesh is one of four WFP operations using the blockchain technology.[7] Launched as a pilot, Building Blocks has not yet reached the maturity of a corporate application.

Observation 1: Staffing and structure

34. A strategic workforce planning exercise was carried out in November 2022 to support the launch of the new country strategic plan. Funding challenges constrained implementation of the transition plan as the country office reduced its headcount by 20 percent over a year: as of May 2023, the country office employed 433 personnel, of which 296 were located in Cox's Bazar.

35. Some key recommendations from the 2022 regional bureau oversight report related to staffing and structure have already been implemented, including strengthening governance of the cash working group. Although the country office managed existing vacancies through temporary assignments, there were still staffing gaps in critical support functions such as risk management, partner management and digital support, as illustrated in several observations of this report. Staff capacity was not commensurate to risks in some

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[6] Building Blocks is WFP's corporate solution for inter-organizational assistance, coordination and online transfer management based on blockchain technology.

[7] As of August 2023, WFP is using Building Blocks to support operations in Bangladesh, Jordan, Ukraine and Yemen.

process areas: the risk officer position was temporarily occupied by national personnel on a short-term engagement; a consultant headed the cash-based transfers unit; the non-governmental organizations unit suffered from frequent turnover; and there was a risk that the information and technology unit did not have sufficient capacity in view of the unit's scope of work.

Underlying cause(s): Workforce planning not reviewed during formulation of the country strategic plan; and declining funding levels impacting the workforce.

Agreed Actions [Medium priority]

The country office, with support from the Human Resources Division and the Regional Bureau for Asia and the Pacific, will develop a prioritized action plan for the actions proposed in the strategic workforce planning exercise, including focusing on critical technical skill gaps. This action plan will identify clear timelines, roles and responsibilities, and realistic cost estimates.

Timeline for implementation

30 June 2024

Observation 2: Solution architecture for beneficiary identity and transfer management

36. Although the country office used SCOPE[8] to manage beneficiary identities, end-to-end delivery processes were fragmented across multiple applications. SCOPE centralizes beneficiary information management for the refugee population across all delivery mechanisms and Building Blocks[9] is WFP's transfer management system for general food assistance and other interventions operating through e-voucher outlets. MoDA[10] was implemented to address the complexity of programmatic data collection. At the time of audit fieldwork, the country office was rolling out the application for Asset Creation and Attendance Management Solution.

37. Due to limited system integration and in spite of efforts by country office teams towards automation, significant data processing steps needed to be manually processed from beneficiary information to entitlement redemptions. This increased risks of errors and manipulation and led to an incomplete audit trail. Errors were noted in the upload of entitlements on Building Blocks and the mobile money operator's platform.

38. The risks were compounded by the number of roles and level of access across systems. The segregation of duties enforced at the system level had not been reviewed at the process level. Around 20 staff involved in the end-to-end transfer process had access to shared folders containing spreadsheets with beneficiary lists and transfer instructions. Although most people having access needed to be informed, they should not be able to take action on these files. At the time of audit fieldwork, the country office's digital solutions team, in coordination with headquarters, was in the process of developing technical solutions to address the limitations of existing tools.

Underlying cause(s): Assessment and (re)definition of corporate objectives for the digitalization of programme activities not yet completed; multiple corporate applications available for beneficiary identity and transfer management; and business solutions led by technical teams with insufficient review of business processes by country office programme teams.

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[8] SCOPE is WFP's beneficiary information and transfer management platform.

[9] Building Blocks is WFP's corporate solution for inter-organizational assistance, coordination and online transfer management based on blockchain technology.

[10] Mobile Operational Data Acquisition (MoDA) is WFP's primary tool for data collection. The tool was created in response to evolving needs, including a faster mobile app for data collection and custom form creation.

Agreed Actions [High priority]

The country office, with support from the Regional Bureau for Asia and the Pacific and the Cash-Based Transfers Division in headquarters, will:

(i)   Review beneficiary identity and transfer management processes to consolidate applications across activities.

(ii)   Finalize the automation of processes for managing beneficiary lists and transfer instructions, and improve SCOPE import/export functionality to increase data assurance practices.

(iii)   Review the segregation of duties at process level and across applications.

Timeline for implementation

31 December 2024

Programme management

39. Each month, the country office obtained a list of over 950,000 refugees from the United Nations High Commissioner for Refugees (UNHCR) as the basis to distribute general food assistance. The country office manually addressed the anomalies created by the upload of UNHCR lists onto WFP's transfer management platform, and adjusted lists for beneficiaries who were in the appeal process pending receipt of a UNHCR-issued document.

40. All refugees received the same general food assistance value over the audit period. As funding decreased, in coordination with the Humanitarian Country Team, the country office and donors started discussions on the prioritization of assistance and targeting of the most vulnerable.

41. In terms of other programme activities for refugees and Bangladeshis – resilience and livelihoods, nutrition, school meals – the country office relied on non-governmental organizations to register beneficiaries based on established targeting criteria.

42. The Office of Internal Audit performed tests of key controls in the beneficiary management process, including governance and risk management; elements of design, delivery and assurance mechanisms; and support systems.

Figure 2: Simplified process diagram and related audit observations for beneficiary management
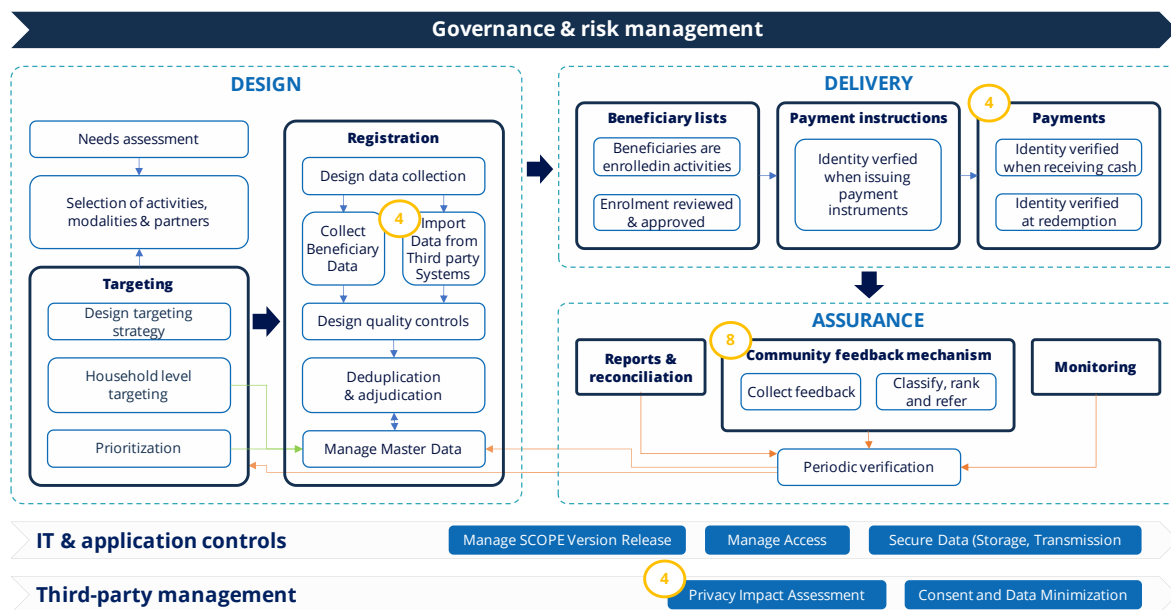
Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations and yellow represents medium-priority observations).

Observation 3: Programme design

Line of sight and activity bundling

43. The country strategic plan[11] focuses on four strategic outcomes each with one single activity. The country office chose to simplify the structure of the country strategic plan with one single activity under each strategic outcome for greater flexibility in programme implementation. Activity 1: *Provide food, nutrition and self-reliance assistance to crisis-affected populations* comprises an array of sub-activities including general food assistance, nutrition, school feeding and livelihood activities with refugees, as well as crisis response and resilience-building activities with host populations. Activity 1 represented 92 percent of the country office's expenditure in 2022.

44. During formulation of the country strategic plan in 2021, technical units in headquarters flagged that this consolidation of activities was not in line with corporate guidance on service provision activities and presented risks related to outcome monitoring. The current design of the country strategic plan does not provide sufficient visibility at the corporate level on outputs for each sub-activity – such as expenses – and limits transparency on the use of donor funds. This is a contributory factor to the issues noted below and in Observation 8: Resource management.

Resilience and livelihood activities

45. The country office implemented approximately 20 resilience and livelihood activities with the refugee population and host communities, such as drainage cleaning, communication with communities and a volunteering service. The targeting criteria and registration methodology were not aligned for all activities, which made delivery processes more complex and opened areas of risk in beneficiary and transfer management. At the time of audit fieldwork, the country office had initiated a review of its resilience portfolio to ensure its sustainability in view of decreasing contributions.

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[11] WFP Executive Board approved the Country Strategic Plan in November 2021.

46. The resilience portfolio was driven by donor interest, government priorities and inter-agency collaboration therefore the country office could not implement several methodological components of the corporate framework.[12] Several mandatory outcome indicators were missing in the country strategic plan's logical framework; therefore, the achievements of these resilience activities were not measured.

Service provision

47. The country office provided services to the humanitarian community and the host government without service level agreements, e.g. food procurement activities for the government and the provision of digital tools for transfer management to a UN organization. The absence of service level agreements for these services could lead to WFP being liable for losses or reputational damage. In addition, on-demand services were provided free of charge where the full cost recovery principle should have been applied.

Underlying cause(s): Consolidation of activities in the country strategic plan; headquarters comments not followed at the country strategic plan formulation stage; national regulations restricting implementation of corporate guidelines for resilience activities; and donor interest, government priorities and policies, and inter-agency collaboration shaping programme design.

Agreed Actions [Medium priority]

1) The country office will conduct a technical revision of its country strategic plan to separate service provision and resilience-building activities from crisis-response activities.

2) The country office will review its portfolio of resilience activities, and outcome indicators accordingly.

3) The country office will establish service level agreements for the provision of on-demand services.

Timeline for implementation

1) 31 December 2024

2) 30 June 2024

3) 30 June 2024

Observation 4: Beneficiary identity management

Refugees

48. WFP relied on the beneficiary lists shared by UNHCR on a monthly basis and, while stable, the exact number of beneficiaries was not precisely known as verification exercises on the full population were not conducted periodically. In this context, the risks brought by discontinuation of biometric authentication in 2020 had not been reassessed by the country office. Previously, redemption of e-vouchers by beneficiaries at retailer outlets was authenticated using biometrics, through an Application Programming Interface to UNHCR's biometric identity management system. This was waived and replaced by scanning a QR code[13] on the UNHCR ID card and by verifying a photograph.

49. Refugees who were not registered by UNHCR or who had lost their UNHCR-issued card were recorded and tracked in spreadsheets by WFP. The country office issued around 90 dummy smartcards under WFP staff names

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[12] WFP Guidance Manual for Food Assistance for Assets for Zero Hunger and Resilient Livelihoods, 2016.

[13] A quick response (QR) code is a type of barcode that can be read easily by a digital device and stores beneficiary information.

which were loaded with multiple entitlements for a total value of USD 30,000 per month (or 0.5 percent of total general food assistance) and gave them to WFP partners' staff for the refugees to redeem their entitlement. Entitlement uploads were not capped and aligned to the number of beneficiaries being assisted to prevent excessive amounts being loaded onto smartcards. Uploads were two to three times higher than required, up to 20 times in March 2023, exposing the country office to financial risks and potential misuse of resources. Detective controls implemented by the country office indicated that retailers did not invoice outstanding balances as evidenced by the reconciliation of retailers' invoices with WFP smartcard internal redemption records. The country office was working with UNHCR to verify the beneficiaries and cleanse beneficiary data so that cards could be printed with the name of beneficiaries, therefore significantly reducing the risk exposure.

Host populations

50. The lack of identity documents and the practice of sharing phone numbers among some of the host populations limited the accuracy and reliability of beneficiary identification controls and presented challenges in effectively targeting and delivering assistance to those in need.

51. There was no evidence of verification checks effectively enforcing beneficiary rotation for resilience activities, potentially enabling certain individuals to dominate or influence the process, thereby hindering others from accessing essential assistance.

Underlying cause(s): Complex and lengthy governmental authorization processes for UNHCR to conduct beneficiary verification and update household data in its beneficiary management database; delays in resolving cases within the inter-agency referral system involving extremely vulnerable individuals; COVID-19 restrictions in the use of biometrics for beneficiary identification; operational challenges related to integrating diverse systems and managing multiple programmes and transfer modalities simultaneously; technological infrastructure and connectivity limitations; and changing operational environment and data handling practices.

Agreed Actions [Medium priority]

1) The country office, in collaboration with the Cash-Based Transfers Division in headquarters, will assess the possibility of reinstating biometric checks in line with WFP practice and UNHCR arrangements in a refugee context as COVID-19 restrictions ease.

2) The country office will:

   (i) In collaboration with UNHCR, finalize the verification of registered refugees to update household information and reduce the number of dummy transactions in SCOPE.

   (ii) Streamline communication among protection partners to accelerate the resolution of referral cases involving extremely vulnerable individuals.

3) The country office will leverage deployment of the Asset Creation and Attendance Management Solution to monitor beneficiary rotation requirements.

Timeline for implementation

1) 31 March 2024

2) 31 March 2024

3) 30 June 2024

Non-governmental organization management

52. In 2022, the country office worked with 21 national and 19 international non-governmental organizations/partners for a total expenditure of USD 37.5 million.

53. In its 2022 risk review exercise, the country office identified risks of unstable funding leading to the short-term selection of non-governmental organizations; staff turnover hampering programme implementation; and fraudulent practices by partner staff for cash-in-hand distribution.

54. The audit assessed the governance mechanisms and key controls designed to mitigate risks related to gaps in partner management, including a review of the selection process; involvement of the cooperating partner committee; field-level agreement management; capacity building and strengthening activities; reporting and performance evaluation; and oversight of non-governmental organizations.

Observation 5: Non-governmental organization management

Governance

55. During the audit period, management of the country office's partners was challenged by a dual structure with one unit based in Dhaka led by the budget and programming officer and one unit in Cox's Bazar with interim management arrangements, creating unclear roles and responsibilities between the two offices. The country office's 2022 annual performance planning process did not involve the partnership unit and therefore had no relevant performance indicators.

Scoping and selection

56. The country office used the UN partner portal[14] to undertake the due diligence and verification process for 29 of 40 non-governmental organizations it contracted. The country office could have improved coordination on partner management with other UN agencies by including more non-governmental organizations in the portal and strengthening the due diligence verification of those which already worked with other UN agencies.

57. During the audit period, the country office issued separate field-level agreements to its partners for different programmatic activities under activity 1, creating a strain on country office resources through potential duplication of services and management costs. For instance, one partner was issued with four separate agreements to implement general food assistance, livelihoods, market linkages and school feeding programmes.

Assessments, spot checks and evaluations

58. During the review period, the country office did not systematically conduct capacity assessments (on partner selection) or partner performance evaluations (on completion of agreements) as prescribed by corporate guidance. In 2022, the country office carried out spot checks of two non-governmental organizations but did not track, follow up and close findings related to these spot checks, including for high-priority issues. The country office missed an opportunity to collaborate with other UN agencies and conduct joint spot checks.

59. Poor performance of partners was not addressed in improvement plans with actions, targets and training plans. The country office did not provide partners with the opportunity to review WFP's performance, missing an opportunity to improve partner management processes.

Underlying cause(s): Adjustment of the country office's governance model and processes for partner management during the audit period; no training received from headquarters on the use of the UN partner portal; limited number and skills of staff in the non-governmental organizations unit and competing priorities (see Observation 1: Staffing and structure); absence of a mature non-governmental organizations partnerships function in the Regional Bureau for Asia and the Pacific to support country offices in applying corporate

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[14] The UN Partner Portal is an online platform for standardized UN partnership processes of due diligence and selection.

standards and policies; and standard operating procedure from 2020 not incorporating elements of the revised corporate framework for partner management.

Agreed Actions [Medium priority]

1)   The country office will:

  (i)   Finalize the staffing structure for the non-governmental organization partnerships unit.

  (ii) Finalize the standard operating procedures for the end-to-end partnership management cycle.

2)   The country office will develop staffing capacity through a learning and development plan for staff involved in partner management.

Timeline for implementation

1)   31 March 2024

2)   30 June 2024

Cash-based transfers

60. Over the audit period, the country office delivered USD 210 million of cash-based transfers: electronic vouchers for general food assistance which refugees redeem at selected retail shops (90 percent of total value); cash-in-hand distributed by partners for refugees enrolled in livelihood activities (4 percent); and mobile money for host populations (6 percent) through a major mobile network operator and financial institution in Bangladesh.

61. The country office completed a full review of its cash-based transfer processes in March 2023 to ensure full implementation of WFP's cash assurance framework. The absence of some key elements and related risks were already known to the country office and were highlighted in the 2021 internal audit[15] and a 2022 regional bureau management oversight mission.

62. The Office of Internal Audit reviewed how the country office has used the corporate cash assurance framework[16] to improve assurance over its cash transfer programmes. Specifically, the audit reviewed the contracting process for retailers conducted in 2022 and finalized in 2023; the management of risks in working with non-governmental organizations as transfer agents; and end-to-end transfer management given the complex information technology landscape.

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[15] Internal Audit of WFP Operations in Bangladesh, report AR/21/17 – link
[16] Directive on the Cash Assurance Framework, 2022.

Figure 3: Simplified process diagram and related audit observations for cash-based transfers
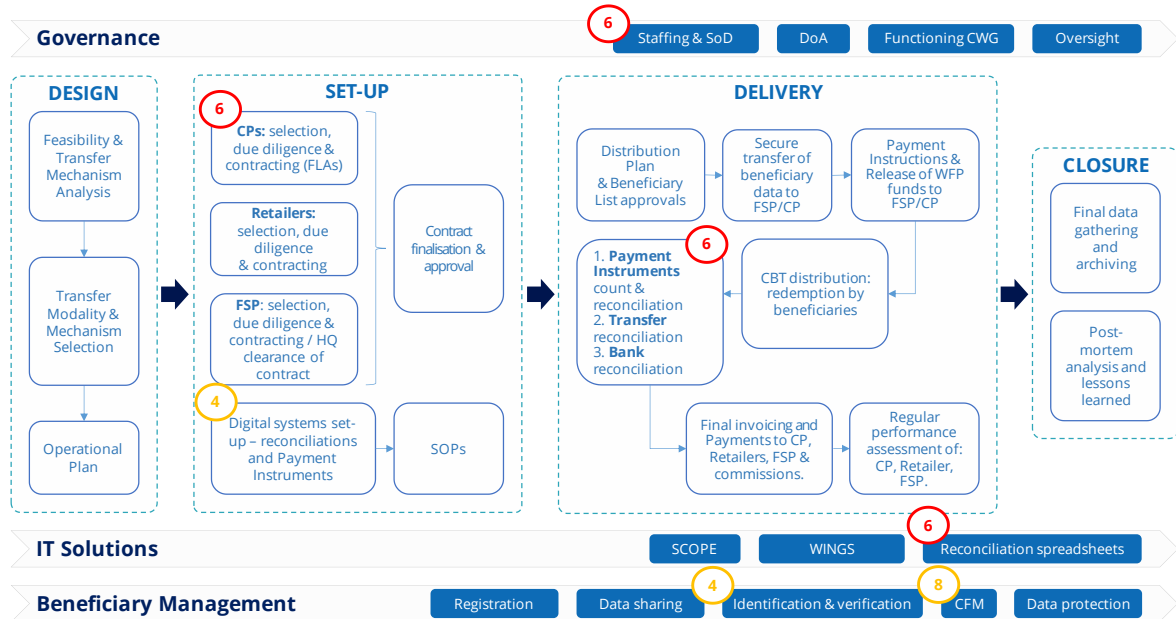
Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations and yellow represents medium-priority observations).

Observation 6: Cash-based transfers assurance

63. WFP Bangladesh provides cash-based transfers using several methods: through Building Blocks digital beneficiary accounts; WFP's closed loop transfer platform with SCOPECARD;[17] mobile money transfers; and cash-in-hand depending on the programme and contextual requirements.

Non-governmental organizations as transfer agents

64. During the audit period, the country office relied on 14 non-governmental organizations to transfer USD 14 million cash-in-hand to refugees. When WFP needs to engage partners to transfer currency or value entitlement, the current selection process remains applicable, but capacity assessments are tailored to the nature of the service required. In this context, the country office had not yet made use of the corporate risk assessment tool released in April 2022 to assess the capacity of partners to act as transfer agents for cash-based transfer operations. The country office planned to use it for partners to be contracted in 2024. The country office did not fully review some aspects of partners' proposed solutions, including internal control framework, funds management and information technology to support their cash-based transfer operations. The country office emphasized that upcoming risk assessments of non-governmental organizations acting as transfer agents should support the country office in selecting only the strongest partners in 2024 and identifying their specific capacity-strengthening needs tailored to the operational set-up.

65. Corporate guidance recommends certain risk mitigation measures which the country office had not fully implemented when advancing benefits to its partners.[18] The country office did not always make the advance of benefits for a distribution cycle conditional on the successful reconciliation of the previous cycle. With delays

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[17] SCOPE is WFP's beneficiary information and transfer management platform. SCOPE powers card-based solutions designed to facilitate and/or enhance the delivery of benefits and programmes: one of these is the SCOPECARD solution.

[18] The risks inherent to advancing benefits to a non-governmental organization when used as a transfer agent cannot be mitigated through contract guarantees (such as performance bonds used for a financial service provider).

noted in the reconciliation process, the financial exposure to counterparty risk increased beyond the value of cash advanced for one distribution cycle. Three international non-governmental organizations could not open dedicated bank accounts to hold the benefit amount and avoid commingling with other funds because of local regulatory constraints. The country office cash-based transfer finance unit did not perform regular cash distribution monitoring visits.

66. During the audit fieldwork, the country office completed a financial sector intelligence exercise which analysed the country's financial sector and its conduciveness to cash-based transfer operations. It also provided a recommended list of financial service providers for consideration, including for cash-in-hand distribution.

Mobile money transfers

67. A 2023 country office review of key processes and decisions for cash-based transfer operations revealed some shortcomings in contractual arrangements with the mobile money operator and some gaps in mitigating operational risks, including risks related to segregation of duties, and roles and responsibilities for the second level of control when WFP staff are using the financial service provider's mobile money portal to upload transfer instructions. The country office initiative to update standard operating procedures and provide portal access to WFP users based on roles and responsibilities reflected a commitment and a proactive approach to enhance processes and controls for more effective and secure cash-based transfers.

Data analytics and detective controls

68. Digitalization and use of data have strengthened control mechanisms and monitoring capabilities of other country offices using WFP's closed loop transfer platform. The Bangladesh Country Office had the technical capacity, data and reports available to implement additional detective controls on payment instructions, voucher wallet uploads and unredeemed benefits. During the audit fieldwork, the timeline to implement digitalized solutions and dashboards for anomaly detection in coordination with the headquarters data assurance team was unclear. The country office's ability to detect errors or fraud in a timely manner was therefore limited.

69. Each time transfers are carried out, the financial service provider and partners send a report to WFP showing who received the transfer, who did not and the amounts. The country office did not reconcile cash transfers with transfer instructions at the beneficiary level despite the availability of this data.

Underlying cause(s): Recent issuance of corporate guidance on the use of non-governmental organizations as transfer agents and delays in dissemination of the toolkit to country office teams; organizational weaknesses and challenges, such as limited capacity of the cash-based transfers unit or suboptimal functioning of the country office cash working group and reconciliation task force; absence of a mature non-governmental organization partnerships function in the Regional Bureau for Asia and the Pacific to support country offices in applying corporate standards and policies; and country office not leveraging all available data and corporate services for cash assurance.

Agreed Actions [High priority]

1) The country office will:

   (i) Leverage the updated financial sector intelligence exercise to assess if a commercial service is available to refugees before entering into an agreement with non-governmental organizations.

   (ii) Select only the suitable non-governmental organizations following a "risk assessment of non-governmental organizations as transfer agents" tailored to operational needs, including targeted capacity strengthening for the partner organizations, if needed.

   (iii) In consultation with the Business Development Cash-Based Transfers Unit and the Non-Governmental Organizations Partnerships Unit in headquarters, develop a standard operating procedure on the

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management of non-governmental organizations as transfer agents. In particular, the standard operating procedure should include all levels of risk mitigation measures that must be applied when advancing benefits to a non-governmental organization as per corporate guidance.

2) The country office will finalize its review of the operational risks associated with the use of unrestricted mobile money distributions, given the operational set-up and limitations of the financial service provider's platform.

3) The country office will, in coordination with the headquarters data assurance team, identify opportunities to develop monitoring tools based on data-driven solutions; and finalize the workplan and timeline to improve assurance and monitoring activities over cash-based transfers, including the development of a dashboard for fraud and anomaly detection.

Timeline for implementation

1) 31 March 2024

2) 31 March 2024

3) 30 June 2024

Monitoring

70. The country office restructured its operations and reporting lines to enhance the effectiveness of its monitoring processes, efficiently catering to the diverse evidence needs that were required by its programme expansion over the years. The country office was selected to spearhead the corporate-level adoption of the Sugar customer relationship management system[19] for comprehensive monitoring issue tracking. This system extends beyond the ordinary reporting of monitoring data, and aims to integrate monitoring data comprehensively into operational procedures, evidence generation and decision making. The changes aimed to enhance efficiency and data utilization. During the audit period, dedicated missions from the Field Monitoring Unit in headquarters worked to set up and implement the system.

71. Between January 2022 and April 2023, close to 120,000 matters were recorded across different beneficiary feedback channels[20] for field offices and programme activities, of which 91 percent of issues raised had been resolved and closed.

72. The Office of Internal Audit tested controls related to governance, selection of sites for process monitoring and follow-up on monitoring findings. The audit reviewed how the country office had implemented WFP's standards for community feedback mechanism functionality, which are needed to effectively uphold WFP's commitment to accountability to affected people, and links to guidance and tools available for implementation of those standards.

Figure 4: Simplified process diagram and related audit observations for monitoring
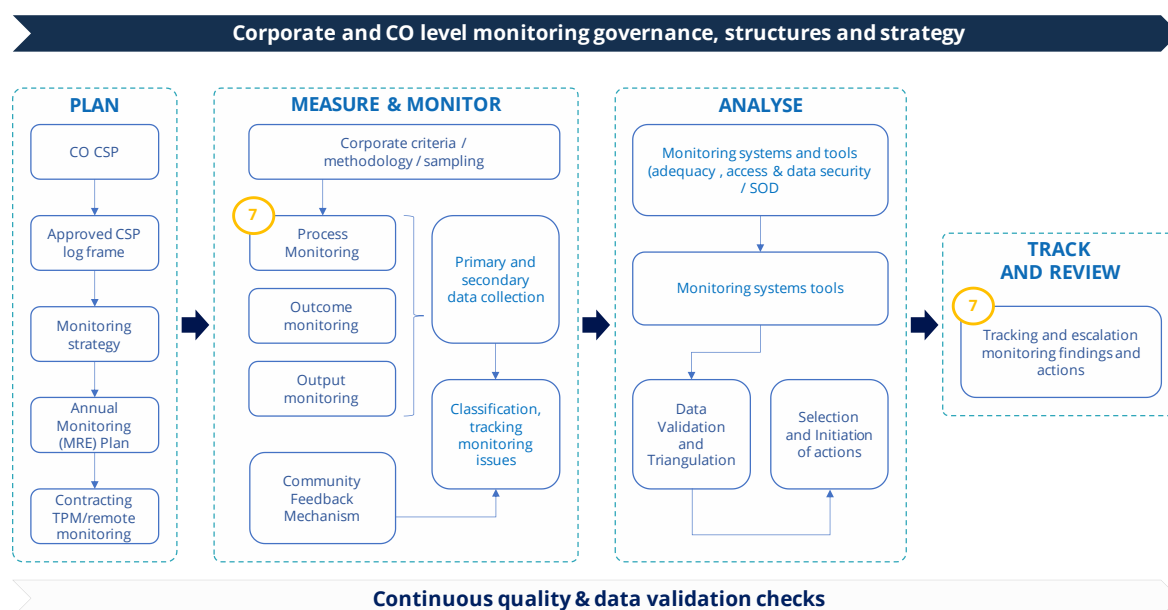
Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations and yellow represents medium-priority observations)

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[19] The Sugar customer relationship management system (SugarCRM) is a WFP corporate application to manage complaints and feedback received from various sources.
[20] The community feedback mechanism consists of: (i) a hotline; (ii) an email account; (iii) helpdesks at camp distribution sites in Cox's Bazaar, managed by non-governmental organizations or WFP; (iv) mobile helpdesks; (v) field monitoring assistants or outsourced enumerators; and (vi) suggestion boxes.

Observation 7: Process monitoring

Process monitoring plan and coverage

73. Field monitors were assigned to activities that required varying monitoring frequencies, such as school feeding and capacity strengthening, and needed to cover up to 3,500 sites. The planning of process monitoring activities was not aligned with active programme implementation sites, resulting in the allocation of monitoring staff to inactive sites.

74. The country office covered 10 percent of the school feeding sites for which the country office provided technical assistance to the Government. This coverage was not informed by a risk-based analysis. Variance between actual and planned monitoring highlighted the need to review monitoring of resilience activities in line with the programme cycle. Additionally, the prioritization of monitoring site visits based on previous issues identified did not align with minimum corporate monitoring requirements.[21] This issue did not affect monitoring of activity sites for the refugee response which were all visited regularly.

Monitoring data collection and analysis

75. The country office did not consolidate monitoring issues from field offices and partners, which limited the use of the data for programme decision making and the identification of common themes/gaps in programme implementation. The absence of standardized issue categorization to facilitate prioritization, escalation and resolution resulted in reduced visibility of critical issues, especially given the extensive volume, scope and scale of the operations.

Underlying cause(s): Lack of systematic use of the corporate risk-based monitoring framework to enable the country office to prioritize monitoring activities based on risk; limited staff resources to cover active monitoring sites effectively; and lack of corporate system to efficiently manage monitoring issue tracking.

> **Agreed Actions** [Medium priority]
>
> The country office will improve its risk-based approach to monitoring activities in terms of prioritizing sites and resource allocations for monitoring visits.
>
> **Timeline for implementation**
>
> 31 March 2024

Observation 8: Community feedback mechanism

Case handling procedures for the community feedback mechanism

76. A case may require multiple interactions between community feedback mechanism operators and assigned case managers before it can be considered resolved and reported as closed. The allocation of responsibilities was unclear when multiple case managers were involved in handling complaints registered through the toll-free hotline. This led to delays in conducting effective follow-up and resolution. Not every step of the case management process was documented in the community feedback mechanism information management system. Relying on email for escalations led to communication breakdown and delays, especially for high-priority cases involving threats, harassment and fraud. Some of these cases remained open for extended periods.

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[21] Minimum Monitoring Requirements https://docs.wfp.org/api/documents/WFP-0000024071/download/

Underlying cause(s): Limitations in the community feedback mechanism system for case handling.

Agreed Actions [Medium priority]

The country office will:

(i)   Update standard procedures and the accountability system, including key performance indicators to improve case handling and resolution in the community feedback mechanism.

(ii) Train case managers on the revised operating procedures.

Timeline for implementation

31 March 2024

Budget management

77. At the time of audit fieldwork, the country strategic plan was 120 percent funded against the 2022 annual needs-based plan of USD 310 million and 62 percent funded against the 2023 annual needs-based plan of USD 308 million. The projected operational requirements for the period October 2023 to September 2024, amounting to USD 326 million, were 25 percent resourced and critical shortfalls for cash-based transfers were anticipated from December 2023. With decreased funding from traditional donors, the country office started to implement cost-reduction measures, including ration cuts, and maintained low transfer costs in comparison with the transfer value.

78. The Office of Internal Audit reviewed progress on the resource mobilization strategy and partnership action plan, and the country office's plans for cost efficiency, including the availability and programming of resources to activities; links between organizational realignment and costs; and partners' contractual and budget management.

Observation 9: Resource management

Resource mobilization

79. The country office drafted a partnership action plan[22] in 2021 to support preparation of its Country Strategic Plan 2022–2026. This action plan had not been finalized and was missing a timeline for identified actions. While corporate guidance recommends the plan be revisited on a quarterly basis, the country office has not updated the action plan despite significant changes in the donor landscape and funding outlook in 2023.

80. The country office did not make use of all functionalities in Salesforce,[23] such as mapping of donors and missions, and tracking of partnership actions and donor reporting. This information was maintained in spreadsheets. Data quality issues were observed in Salesforce – three "high probability" funding opportunities for a total of USD 7 million were duplicate entries. Funding forecasts directly inform the country office's implementation plan, which in turn informs donor engagement and fundraising at the country office and corporate level.

Implementation plan

81. The country office made concerted efforts to mobilize resources in 2023. The implementation plan[24] stood at USD 290 million for 2023 and exceeded expected resources of USD 247 million, of which USD 54 million was low probability opportunities.

82. The country office did not update its implementation plan in a timely manner. For instance, ration cuts were implemented without revising the implementation plan against funding projections and actual level of expenditure. This could lead to risks of surpluses if not reviewed. Inconsistencies were also noted as the implementation plan was higher than the needs-based plan for some budget lines.

Budget monitoring

83. The budget reports maintained by the country office were disconnected from functional expenditure plans. Two staffing reviews conducted in 2022 were not costed and the staff cost allocation methodology was not followed. Actual expenses in the procurement plan were not monitored, and travel plans were not budgeted. Budget reports did not reflect the cost-saving measures that the country office had identified.

84. The country office prepared operational reports manually instead of using corporate reports and tools. It required significant manual work to allocate, manage and track funds per activity and per functional unit. The

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[22] A partnership action plan is not mandatory but highly recommended.

[23] Salesforce is the WFP corporate tool for donor intelligence and forecasting, and the repository of negotiations.

[24] The implementation plan is an annual budget, derived from a needs-based plan which is prioritized and adjusted on the basis of the funding forecast, available resources and operational challenges.

country office also maintained 500 fund reservation[25] codes, of which 300 were for activity 1. The heavy reliance on the budget and programming unit to manage this complex process could become unsustainable following staff rotation or reduction.

85. Cost monitoring was insufficient to detect errors and overspending. There were classification errors between cost categories for the posting of USD 5 million. Partner costs under activity 4 were overspent by USD 1 million.

Gender budget

86. The country office maintained the gender budget, but gender expenses were not tracked. The disability and inclusion budget had yet to be approved by country office management.

Underlying cause(s): Change management (staff turnover) and limited capacity; implementation plan not revised periodically; limited ownership by activity and functional managers and over-reliance on budget and programming team; resource management committee not in charge of identifying cost-saving measures; and complexity brought by the country strategic plan's structure.

Agreed Actions [Medium priority]

1) The country office will arrange training for activity and functional managers on resource management and for partnership staff on Salesforce.

2) The country office will periodically review its implementation plan based on the resources forecast, level of expenditure and functional expenditure plans, including cost-saving measures.

Timeline for implementation

1) 30 June 2024

2) 31 March 2024

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[25] Fund reservation is a commitment tool in corporate systems to earmark funds.

Security

87. In view of ration cuts, operations on Bhasan Char Island and upcoming national elections, the Office of Internal Audit reviewed implementation of security measures on a sample basis to determine the maturity of security management processes.

88. No reportable findings arose and, overall, the security measures reviewed were found to be in place despite instances of non-compliance assessed to have a low-risk impact. These included non-compliance with residential security measures, access control and some fire safety measures. The Headquarters Security Division planned to undertake a security assessment mission in October 2023 and the regional bureau has planned a fire assessment mission for the last quarter of 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.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Staffing and structure	Governance	Country Office	**Medium**	30 June 2024
2	Solution architecture for beneficiary identity and transfer management	Governance	Country Office	**High**	31 December 2024
3	Programme design	Programme	Country Office	**Medium**	1) 31 December 2024 2) 30 June 2024 3) 30 June 2024
4	Beneficiary identity management	Programme	Country Office	**Medium**	1) 31 March 2024 2) 31 March 2024 3) 30 June 2024
5	Non-governmental organization management	Non-governmental organization management	Country Office	**Medium**	1) 31 March 2024 2) 30 June 2024
6	Cash-based transfers assurance	Cash-based transfers	Country Office	**High**	1) 31 March 2024 2) 31 March 2024 3) 30 June 2024
7	Process monitoring	Monitoring	Country Office	**Medium**	31 March 2024
8	Community feedback mechanism	Monitoring	Country Office	**Medium**	31 March 2024
9	Resource management	Budget management	Country Office	**Medium**	1) 30 June 2024 2) 31 March 2024

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.[26]

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[26] 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 corporate system for the monitoring of the implementation of oversight recommendations. 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 Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. The Office of Internal Audit informs senior management, the Independent Oversight Advisory Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.

Annex C – Acronyms

CBT	Cash-based transfer
MoDA	Mobile Operational Data Acquisition
SCOPE	WFP beneficiary information and transfer management platform
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
USD	United States dollars
WFP	World Food Programme

Annex D – List of figures