Internal Audit of WFP Operations in Somalia

Office of the Inspector General
Internal Audit Report AR/23/22

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I. Executive summary

Introduction

1.   As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Somalia, covering the period from 1 January 2022 to 30 June 2023. The audit mission took place from 9 September 2023 to 4 October 2023, including field visits to WFP operations in Mogadishu, Dollow, Baidoa and Garowe.

2.   The audit focused on a comprehensive review of six high-risk areas: (i) governance and risk management; (ii) programme design and implementation; (iii) identity management; (iv) non-governmental organization management; (v) monitoring; and (vi) cash-based transfers. In addition, the audit partially tested controls for six areas: (i) donor engagement; (ii) human resource transition; (iii) management services; (iv) supply chain management; (v) digital solutions and automation; and (vi) security and access management.

WFP operations in Somalia

3.   WFP operations in Somalia are guided by the Country Strategic Plan 2022–2025 and include saving lives through food and cash transfers to food-insecure and malnourished populations and empowering Somalis through long-term development initiatives. The latest budget for the five-year country strategic plan stood at USD 4.70 billion. During the audit period, WFP recorded operational expenses amounting to USD 1.10 billion, out of which USD 735.3 million (66 percent) was the value of cash-based transfers to beneficiaries and USD 156.0 million (14 percent) was the value of food distributed to beneficiaries. The costs associated with transferring cash and food amounted to USD 48.3 million (4 percent) and USD 95.2 million (9 percent), respectively.

4.   Throughout the audit period, WFP operations were defined by an unprecedented scale-up of relief activities while responding to the threat of famine. The integrated food security phase classification for Somalia projected six million severely food-insecure people by June 2022. It also projected 322,000 people facing catastrophic outcomes by March 2023, triggering the risk of famine in various locations. WFP activated the corporate scale-up emergency phase in August 2022, which lasted for nine months and was deactivated in May 2023.

5.   WFP reached 9.8 million direct beneficiaries across all activities, including 6.9 million reached through relief activities delivered mainly through cash transfers. In 2022, WFP partnered with the United Nations Children's Fund and the World Health Organization to expand emergency assistance to support 290,000 people living in 13 hard-to-reach and previously inaccessible rural locations.

6.   Humanitarian assistance in Somalia, particularly to internally displaced persons, has faced persistent allegations of fraud and aid diversion due to factors including community power structures, private ownership of camps and the involvement of gatekeepers. Gatekeepers, also referred to as mukuel mathow, or "black cats," can include landowners, district officials or businessmen who control access to land used by internally displaced people, creating makeshift camps that they manage to host internally displaced persons. The WFP Somalia Country Office raised these concerns in various humanitarian and donor forums, leading to a fact-finding assessment by the Secretary-General of the United Nations of post-delivery aid diversion. Outcomes of the assessment findings were shared through the office of the Deputy Special Representative of the Secretary-General in June 2023.

7.   The audit focused on two activities under strategic outcomes 1 and 2, which accounted for 92 percent of the total direct operational costs and 95 percent of beneficiary caseload during the audit period: (i) provide integrated food and nutritional assistance to crisis-affected people (activity 1); (ii) provide conditional and unconditional food and/or cash-based food assistance and nutrition-sensitive messaging to food-insecure people through reliable safety nets (activity 3).

Audit conclusions and key results

8.   Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **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 can 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 the identified risks are adequately mitigated.

9.   Since the previous internal audit in 2021, WFP operations in Somalia have expanded due to its famine prevention response. Country office expenditure increased by 153 percent, from USD 279.0 million in 2020 to USD 708.0 million in 2022. The scale-up was accompanied by the transition of key workforce from the liaison office in Nairobi to Somalia to enhance field presence and monitoring. In the audit period, there was also increased donor scrutiny and a Secretary-General's assessment confirmed post-delivery aid diversion and structural weaknesses in key programme processes across United Nations agencies. The country office proactively raised the systemic issues of gatekeepers and assistance to internally displaced people at various donor and humanitarian fora.

10. Since 2021, the country office improved various areas such as risk assessments and identification, fraud risk awareness, due diligence of cooperating partners and real-time deduplication capabilities. The country office escalated all fraud-related allegations to the Office of Inspections and Investigations and, during emergency scale-up, escalated operational risks to headquarters.

11. The delivery of humanitarian assistance in Somalia is hampered by insecurity and access constraints, which worsened with the military offensive against Al-Shabaab in 2022. The stringent United Nations security measures restricted national and international staff movement, necessitating armoured vehicles, military escorts, personal protective equipment and limited field mission durations. In contrast, non-governmental organizations faced fewer movement restrictions and benefited from wider access. These constraints limited the direct community engagement and field presence of WFP, leading to reliance on cooperating partners for programme implementation and third-party monitors for programme monitoring.

12. Audit observations reflected gaps in implementing controls at the field-level in the audit period. These extended to limited WFP involvement in project activities such as community-based targeting; absence of oversight of cooperating partners; insufficient evidence of robust vulnerability-based beneficiary selection; and inconsistent adoption of commodity tracking controls. In other cases, strategy, process and control design deficiencies led to observations on beneficiary targeting, retailer engagement strategies for value vouchers, mobile money transfer mechanisms and the identity deduplication process. Certain risks can be attributed to inadequate corporate guidance and limitations in corporate digital solutions and support. There is a need for a comprehensive review and enhancement of strategies, processes and digital solutions to ensure a robust and effective framework for WFP operations in Somalia.

13. The audit report contains six high-priority observations – three with agreed actions at the corporate-level and three at the country office-level – and seven medium-priority observations. The high-priority observations are:

High-priority corporate-level observations

- Donors raised concerns over limited incident reports by WFP related to fraud, corruption and other prohibited practices, rooted in inconsistencies between donor expectations, the reporting requirements across donor agreements and the centralized management of such reporting. A corporate review is required to streamline fraud, corruption and other prohibited practices reporting protocols, manage donor expectations and clarify country office responsibilities.

- Corporate digital solutions for managing beneficiary data and delivering cash-based transfers had several limitations, including cost-effectiveness challenges, leading to inefficiencies, data manipulation and potential fraud risks. Cooperating partners using the offline corporate application have unrestricted rights to edit key beneficiary information, including biometrics, posing a significant fraud risk to the programme. There is a need to enhance data security through tiered access controls for cooperating partner staff. There is also an opportunity to increase efficiency by automating manual processes, streamlining deduplication, and developing efficient methods for loading entitlements onto cards.

- In 2022, WFP disbursed USD 192 million in cash assistance to beneficiaries using the SCOPECARD payment instrument, redeemable through mobile point-of-sale devices at 1,400 retail outlets. Several operational challenges with these devices, including reliance on a single vendor, outdated and expensive technology, unreliable sales data, and inadequate transaction geolocation data, impacted the efficiency and integrity of cash transfers. There is a need to review the value voucher business processes and identify appropriate technology solutions to diversify the solutions and vendor base and achieve greater economy and efficiency.

High-priority country office-level observations

- The country office's targeting strategy did not consider the practical challenges of implementing community-based targeting and mechanisms for assisting unregistered displaced people. The limited control and oversight of WFP over the household targeting process outsourced to cooperating partners left the process vulnerable to manipulation and exploitation. The country office needs to reassess and enhance its targeting process, including updating its strategy, strengthening oversight, adopting an improved household targeting mechanism and ensuring evidence-based, vulnerability-based targeting and prioritization.

- Outsourcing registration to cooperating partners using an offline SCOPE application led to a lack of duty segregation, increased fraud risks and resulted in a significant number of duplicate identities. Despite reducing duplicate identities to 35 percent from 68 percent in 2021, the issue of high duplicate identities and the associated residual risk persists. The country office needs to increase its control over the registration process, improve oversight, explore economical digital solutions, and seek corporate support to streamline the offline deduplication process. In addition, identity controls in the mobile money transfer process are ineffective and susceptible to fraud. The country office did not periodically verify mobile money beneficiaries and the validation of beneficiary mobile numbers was unreliable. The country office needs to evaluate its mobile money processes and plans and strengthen identity controls, including periodically verifying beneficiaries and payment instruments.

- The use of third parties, including retailers and cooperating partners, for last-mile delivery of food assistance led to malpractice. This was due to weak preventive and detective controls. Retailers were observed overcharging beneficiaries using ineffective digital point-of-sale equipment and monitoring. For in-kind food, the country office had limited traceability of food in the last mile, including the stock with cooperating partners, and controls were not consistently implemented. The country office is developing a market and retail strategy, improving retailer monitoring and planning to enhance digital solutions for better traceability of last-mile food movement.

14. Other issues were noted in relation to governance and risk management, transition of the transfer management team, accountability to affected populations, the cash-based transfer delivery process and monitoring.

Actions agreed

15. Management has agreed to address the reported observations and to implement the agreed actions by their respective due dates.

Thank you!

16. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

II. Country context and audit scope

Somalia

17. Somalia is a low-income country with a reported population of 17.1 million people, 60 percent of which is estimated to be under the age of 18.[1] Somalia continues to be among the poorest countries in the world, with over 70 percent of its population living below the poverty line. The number of people in need of humanitarian assistance in Somalia increased from 5.9 million in 2021 to 8.2 million in 2023, representing 48 percent of the population.

18. Nearly three decades of conflict, insecurity, political fragility and recurrent climatic shocks contributed to the increased vulnerability of the Somali population. According to the humanitarian needs overview 2023,[2] prolonged conflict and recurrent climate disasters have forced an estimated 3.8 million people (22 percent of the population) from their homes. In 2022 alone, over 1.3 million people were displaced, with an estimated 752,390 displaced for the first time, the majority of whom faced severe humanitarian needs. Over 2.2 million (60 percent) of internally displaced persons (IDPs) lived in 3,342 overcrowded settlements and required humanitarian assistance in 2022.[2]

19. WFP relies upon Integrated Food Security Phase Classification (IPC) estimates in Somalia to gauge food insecurity levels. Acute food insecurity in Somalia has worsened since the beginning of 2022, with an estimated 6.0 million people experiencing crisis or worse food insecurity outcomes (IPC Phase 3 or higher) by March–June 2022 (see Table 1 below). The number of people projected to face catastrophic food insecurity outcomes (IPC Phase 5)[3] increased from 81,000 to 322,000 in the first quarter of 2023. These projections triggered the risk of famine, endorsed by the IPC famine review committee, resulting in an immediate targeted humanitarian response. In August 2022, the inter-agency standing committee activated the humanitarian system-wide scale-up protocols to urgently support famine prevention interventions.

Table 1: Projected acute food insecurity population numbers based on IPC analysis[4]

	Projected period						
IPC classification	**Oct–Dec 2021**	**Jan–Jun 2022**	**Mar–Jun 2022**	**May–Sep 2022**	**Oct–Dec 2022**	**Jan–Mar 2023**	**Apr–Jun 2023**
IPC Phase 3 or above (millions)	3.50	4.10	6.00	7.10	6.70	6.30	8.30
IPC Phase 5 (millions)	-	-	0.08	0.21	0.30	0.32	0.73

20. Humanitarian aid delivery in Somalia faces severe challenges due to insecurity, administrative constraints and environmental factors that restrict access to affected populations, disrupt key supply chain routes and limit civilian movement, particularly in rural areas controlled by Al-Shabaab or non-state armed groups. Access to areas under the control of the Federal Government of Somalia is possible but remains difficult due to ongoing insecurity. Although military operations against Al-Shabaab have improved access in certain areas, the complex and shifting dynamics among local armed actors make consistent humanitarian access difficult. Bureaucratic hurdles, including taxation disputes and interference in operations, further complicate humanitarian efforts.

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[1] WFP. 2022. Somalia Annual Country Report 2022.

[2] United Nations Office for the Coordination of Humanitarian Affairs. 2023. Somalia Humanitarian Needs Overview.

[3] IPC's acute food insecurity scale Phase 5 is for catastrophe (household classification) / famine (area classification) /famine likely (area classification).

[4] Integrated Food Security Phase Classification. Acute Food Insecurity Classification – Somalia.

WFP operations in Somalia

21. WFP operations in Somalia are guided by the Country Strategic Plan (CSP) 2022–2025, focusing on saving lives through immediate humanitarian aid and empowering Somalis through long-term development initiatives. The CSP aligns with Somalia's ninth National Development Plan and the United Nations Sustainable Development Cooperation Framework for Somalia. The strategic orientation of the CSP links to the strategic objectives of the Humanitarian Response Plan. WFP operations include food and nutritional assistance for relief; assistance through reliable safety nets, malnutrition prevention and treatment packages; livelihood support activities; and technical support to national and subnational actors for capacity strengthening.

22. In December 2022, the first budget revision was approved to increase the number of beneficiaries targeted and introduce new activities to respond to the increased humanitarian needs. This resulted in an increase in the CSP budget from USD 1.9 billion to USD 4.7 billion.

23. Throughout 2022, WFP operations were defined by an unprecedented scale-up of humanitarian relief and nutrition support in response to the looming threat of famine amid the most protracted drought in recent history. WFP activated the corporate attention emergency phase in June 2022 for three months and, in August 2022, further escalated the response by activating the corporate scale-up emergency phase, which lasted for nine months and was deactivated in May 2023.

24. WFP needs-based funding requirements of USD 1.1 billion for 2022 were funded at 134 percent. For 2023, while the need-based budget was USD 1.4 billion, the resourced-based funding requirements were estimated initially at USD 1.1 billion and later reduced to USD 796.0 million, representing 56 percent of the need-based requirements.[5] As of November 2023, the need-based plan was funded 71 percent as available resources to the country office stood at USD 1.0 billion.

25. In 2022, WFP reached 9.8 million direct beneficiaries across all activities, representing an 84 percent increase from 2021. Of these, 6.9 million received assistance through relief activities delivered mainly through cash transfers. Resource constraints in 2023 have required WFP to reduce relief assistance by 50 percent, reaching 3.0 million beneficiaries by June 2023. In March 2023, the country office began rotating beneficiaries after six months of assistance and intends to further reduce rotation to three months by the end of 2023. WFP relief activities targeted all population groups, rural and urban, with 30 percent of beneficiaries being IDPs and the remaining being non-displaced rural and urban populations. In 2022, 61 percent of the beneficiaries received cash-based transfers, while 31 percent received in-kind food assistance.

26. During the audit period, WFP delivered assistance mainly through two strategic outcomes. These outcomes were achieved through the following three activities, which accounted for 92 percent of the expenditure and the number of beneficiaries reached during the period:

- Activity 1: Provide integrated food and nutritional assistance, including emergency home-grown school feeding to crisis-affected people (strategic outcome 1).

- Activity 2: Provide conditional and unconditional food and/or cash-based food assistance and nutrition-sensitive messaging to food-insecure people through reliable safety nets (strategic outcome 2).

- Activity 3: Provide an integrated nutrition support and malnutrition prevention and treatment package to targeted vulnerable people (strategic outcome 2).

27. The country office works with a network of over 100 non-government organizations (NGOs), of which 80 percent are Somali NGOs and over 1,300 local retailers across the country.

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[5] The resource-based implementation plan is an annual prioritized plan of work derived from the need-based plan, adjusted based on the funding forecasts, available resources, and operational constraints.

Workforce locations and transition to Somalia

28. The country office has operated from Nairobi, Kenya, since 1993. After 20 years of absence in Somalia, WFP re-opened the country office in Mogadishu in 2012 and gradually increased its operational presence through its country office in Mogadishu and 12 field offices.[6]

29. During the audit period, the country office implemented an accelerated transition plan to relocate key functions and teams from Nairobi to Somalia, in line with government requests and donor expectations for more field presence. This involved a review of office structure, staffing skills and capabilities.

30. In October 2023, the country office had a total of 657 staff, with 351 (54 percent) located in the 12 field offices throughout Somalia; 177 (27 percent) located in Mogadishu; and the remaining 126 (19 percent) located in the liaison office in Nairobi. The footprint of WFP with staff present in the country was 81 percent compared with 65 percent in 2021.

Post-delivery aid diversion fact-finding assessment

31. Humanitarian assistance in Somalia has been challenged by longstanding accusations of aid diversion, with well documented reports of exploitation of vulnerable populations, particularly IDPs.[7] Structural challenges such as the private ownership of IDP settlements, the presence of gatekeepers and uncertainties surrounding the IDP population have contributed to the increased risk of aid diversion. The country office management has consistently raised these concerns at key humanitarian and donor fora since February 2022.

32. The proactive efforts of WFP in escalating these issues led to the Secretary-General's fact-finding assessment into allegations of systematic post-delivery aid diversion in Somalia. The fact-finding assessment was shared by the Deputy Special Representative of the Secretary-General, Resident and Humanitarian Coordinator in June 2023.

Objective and scope of the audit

33. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal control processes related to WFP operations in Somalia. Such audits are part of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control. The audit covered the period from 1 January 2022 to 30 June 2023 and reviewed transactions and events pertaining to other periods, where necessary.

34. The audit focused on two CSP activities, which accounted for 92 percent of the country office's total direct operational costs and 95 percent of beneficiary caseload during the audit period:

- Activity 1: Provide integrated food and nutritional assistance including emergency home-grown school feeding to crisis-affected people, which accounted for 82 percent of the total expenditure and 7.8 million beneficiaries in 2022 (strategic outcome 1).

- Activity 3: Provide conditional and unconditional food and/or cash-based food assistance and nutrition-sensitive messaging to food-insecure people through reliable safety nets, which accounted for 10 percent of the total expenditure and 1.1 million beneficiaries in 2022 (strategic outcome 2).

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[6] WFP maintains a field presence in Somalia through area offices in Hargeisa, Garowe, Mogadishu, Dollow and Galkayo. In addition, it has field offices in Berbera, Bossaso, Galmudug, Dhusamareeb, Beletweyne, Baidoa, Kismayo and Dhobley.

[7] Jaspers, S., Adan, G.M. and Majid, N. 2020. Food and Power in Somalia: Business as Usual? A Scoping Study on the Political Economy of Food Following Shifts in Food Assistance and in Governance. Conflict Research Programme, London School of Economics and Political Science.

Bryld, E., Kamau, C., Moller, S.K. and others. 2017. Engaging the Gatekeepers – Using Informal Governance Resources in Mogadishu. Tana, UKaid – Somalia Accountability Programme.

Bakonyi, J. 2021. The Political Economy of Displacement: Rent Seeking, Dispossession and Precarious Mobility in Somali Cities. Global Policy, 12(S2), 10–22.

35.   To minimize duplication of effort and leverage the second-line assurance work, the audit relied on the oversight missions by the Regional Bureau of Eastern Africa (regional bureau), particularly the following:

- Procurement oversight (conducted in May 2023): a review of governance, contract implementation and vendor management. The audit limited its review to the procurement processes of key services such as financial service providers (FSPs), retailers and engineering.

- Logistic oversight (conducted in July 2023): a comprehensive review of all key aspects of logistics operations. The audit limited its review to cash-based transfer retailer management, management of food aid diversion risk and control effectiveness during last-mile commodity movement.

36.   The scope of the audit was informed by a detailed risk assessment during the planning phase. As a result, 12 areas were in the audit scope, of which 6 were covered in full: (i) governance and risk management; (ii) programme design and implementation; (iii) identity management and digital solutions; (iv) NGO management; (v) monitoring and accountability to affected population; and (vi) cash-based transfers. The remaining six areas were covered through partial testing of controls: (i) donor engagement and contribution management; (ii) human resource transition; (iii) management services; (iv) procurement; (v) logistics; and (vi) security and access management.

37. The audit mission took place from 9 September to 4 October 2023 at the country and area office in Mogadishu, along with a visit to the liaison office in Nairobi. The mission included field visits to IDP sites; nutrition centres; final distribution points; retailers; cooperating partner (CP)[8] offices; and the offices of local authorities in Dollow and Baidoa, under the South-Border area office, and Garowe, under the Puntland area office. A planned mission to Beletweyne was cancelled due to a security incident.

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

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[8] Local and international non-governmental organizations that serve as cooperating partners to implement WFP programmes.

III.Results of the audit

Audit work and conclusions

39. The Office of Internal Audit presents 13 observations pertaining to governance and risk management; donor engagement and reporting; human resource transition to Somalia; programme design and implementation; identity management; accountability to the affected population; community feedback mechanism; cash-based transfers delivery; supply chain logistics management; digital solutions and automation; NGO management; and monitoring.

40. A simplified standard process diagram is included for several of the functional areas audited. These diagrams indicate the key control areas reviewed and link identified exceptions or weaknesses to corresponding audit observations. The respective priority rating of these observations is indicated by colour (red for high and yellow for medium priority). Low-priority issues arising from the audit were discussed with the country office and are not reflected in this report.

Governance and risk management

41. Management oversight meetings and committees were functioning effectively. The country office has developed standard operating procedures, guidelines, process flows and training materials for key functions. With the new CSP, the country office developed six strategic priorities for 2022 and established a governance structure to monitor implementation of these priorities. Following a progress review, these priorities were updated for 2023.

42. The country office has a strong risk culture and commitment to risk-informed decision making. This is evidenced by its comprehensive risk registers; regular fraud awareness training; fraud risk assessments; multiple oversight missions from the regional bureau; and its active engagement with and escalation of fraud allegations to the Office of Inspections and Investigations (OIGI). Following the previous audit in 2021,[9] the country office has enhanced its third-party risk management practices with comprehensive due diligence procedures, using the United Nations Partner Portal (UNPP) and conducting risk-based spot checks of CPs.

43. The country office participated in and collaborated with other United Nations agencies at various inter-agency risk fora, led by the Risk Management Unit of the Integrated Office of the Deputy Special Representative of the Secretary-General, Resident and Humanitarian Coordinator for Somalia. These fora included inter-agency working groups on risk mitigation and risk sharing. The country office took an active role in the development of the joint risk register for humanitarian assistance in Somalia.

Observation 1: Governance and risk management

Fraud risk management

44. The humanitarian response to IDPs in Somalia and the associated risk of fraud, due to multiple factors including the limited assurance on the number and identity of IDPs, access constraints and the influence of elite community elders (also known as 'gatekeepers'), has been under discussion over the years and impacts all United Nations and non-United Nations agencies operating in Somalia, including WFP operations. In the audit period, the internal monitoring and feedback mechanisms of WFP confirmed aid diversion instances, including exploitation by gatekeepers and the sale of commodities in local markets.

45. As described in paragraph 32 above, the Secretary-General's fact-finding assessment confirmed post-delivery aid diversion of both cash and in-kind assistance in Somalia. The humanitarian country team (HCT) in Somalia is coordinating the implementation of an inter-agency priority action plan to address the assessment findings.

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[9] Internal Audit of WFP Operations in Somalia (AR/21/20)

46. Despite notable progress in fraud awareness and risk assessment, the country office had not fully addressed structural control weaknesses in its key processes. These included beneficiary targeting (Observation 4: Targeting and beneficiary selection; identity management (Observation 5: Identity registration, deduplication and verification); retailer management (Observation 9: Retailer management and commodity last-mile traceability); and digital solutions (Observation 10: Digital solutions and automation), resulting in high residual fraud risk.

Risk appetite

47. During the audit period, the country office escalated to headquarters significant operational risks in responding quickly and effectively to the famine and first-line assistance to 13 hard-to-reach districts that were previously inaccessible. These risks included insufficient monitoring levels in the hard-to-reach areas, reduced WFP presence at registration and redemption sites, reliance on CPs for community engagement and suspension of various controls. These measures were necessary to meet the immediate needs of the affected population, but they also exposed the country office to potential risks of fraud and compromised programme quality.

48. The country office had yet to establish a risk appetite framework aligned with the 2018 enterprise risk management policy to guide operational decisions and aligned with the risk tolerance for WFP operations in Somalia.

Coordinated approach to improve internal controls

49. Various functions have developed internal control improvement plans based on internal risk discussions, oversight recommendations and risk assessments. These include actions identified through risk registers; oversight reports; fraud risk assessments; reflection exercises; and the findings of Secretary-General's assessment on post-delivery aid diversion. The fragmented approach to internal control improvement may create inefficiencies and result in overlapping and conflicting plans or gaps in coverage.

Underlying cause(s): Absence of updated risk sharing protocols and mechanism; risk pursuit approach during operational scale-up; understaffed risk management unit; and siloed approach for reviewing and monitoring the effectiveness of risk mitigation measures.

Agreed Actions [Medium priority]

1) The country office, in consultation with the Risk Management Division and the Regional Bureau for Eastern Africa, will develop a risk appetite statement to guide operational decisions and ensure a balanced response during emergency situations, considering both immediate needs and anti-fraud measures.

2) The country office will establish a comprehensive internal control improvement plan, consolidating ongoing efforts across all functions from the Secretary-General's post-delivery aid diversion assessment action plan, oversight mission recommendations and fraud risk assessments.

Timeline for implementation

1) 31 December 2024

2) 29 February 2024

Observation 2: Prohibited practices incident reporting to donors

50. The country office, recognizing the heightened risk of exploitation faced by vulnerable populations, mainly IDPs, actively raised concerns about gatekeepers and landowner issues. It also questioned the authenticity of IDP numbers in various inter-agency and donor fora, which ultimately led to the Secretary-General's fact-finding assessment. In addition, the country office promptly escalated all fraud allegations related to WFP operations to OIGI.

51. WFP donors interviewed during the audit expressed concern about the transparency of WFP in communicating information about incidents related to fraud, corruption and other prohibited practices as defined in WFP anti-fraud and anti-corruption (AFAC) policy, including the Secretary-General assessment into post-delivery aid-diversion. Donors at the regional and country office level relayed concerns about the limited number of incidents reported to them by WFP management compared with what they receive from other sources. Some donors received no reports of fraud, corruption, or other prohibited practices during the audit period. Donor expectations of such reports were not always consistent with the reporting requirements across donor agreements. Furthermore, donors perceived that WFP was not adequately addressing structural weaknesses in its internal controls, further diminishing their confidence.

52. In accordance with WFP anti-fraud and anti-corruption policy, reasonably suspected cases of fraud and corruption, or any attempts thereof, are reported to OIGI, which reports the information to the oversight bodies of specific donors as per their respective agreements and in line with the disclosure of oversight reports policy of the Office of the Inspector General. Country office responsibilities for reporting fraud and corruption information to field-level donor focal points are limited and guided by the disclosure provisions of respective donor agreements. As reporting requirements are not standard across all donor agreements, inconsistent information may be shared with donors, making it difficult for the country office to manage donor expectations. Currently, OIGI is collaborating with other relevant headquarters units to standardize reporting clauses across donor agreements.

Underlying cause(s): Incidents related to AFAC policy violations reporting responsibility and protocols, beyond reporting to OIGI, not clearly defined at the corporate-level or in donor agreements; and non-standard clauses for fraud and corruption (including reporting time, level and responsibility) across various donor agreements.

Agreed Actions [High priority]

The Public Partnerships and Resourcing Division, in coordination with the Office of Inspections and Investigations and Risk Management Division, will:

(i)   Review existing protocols for reporting fraud (and other prohibited conduct defined in the 2021 anti-fraud and anti-corruption policy) to donors and clarify the roles and responsibilities of country offices, Office of Inspections and Investigations and other relevant units.

(ii) Develop and disseminate guidance to communicate the protocols to all stakeholders, including country offices, regional bureaux and liaison offices.

(iii) Consider standardizing donor contract clauses related to fraud (and other prohibited conduct) across all donor agreements to achieve consistency, clarity and transparency in the commitment of WFP to reporting fraud incidents to donors.

Timeline for implementation

31 December 2024

Observation 3: Transition of workforce to Somalia

53. The accelerated transition of WFP workforce to Somalia in phases, aligned with government and donor expectations, seeks to address the need to improve programme quality and cohesion, invest in skillsets at field-level and strengthen cooperation and coordination with federal and state-level government. Management articulated the challenges and benefits of the transition since March 2022, although it had to change its initial communication approach and adopt an inclusive approach which was more consultative of staff. The audit acknowledges the difficulty of transitioning the workforce while also appropriately scaling up and down the operations based on prevailing humanitarian needs.

54. To support affected staff during the transition, the country office conducted multiple staff meetings and provided support at both group and individual levels. Through the staff wellness unit, the country office provided psychological assistance, employability training and guidance on separation entitlements for affected staff. The country office also used staff wellness support from headquarters and the regional bureau to accompany staff through this challenging transition. Management deployed a Green Talent initiative to tap into Somali talent in the country and abroad and drove affirmative action on recruiting Somali women. In addition, the country office used a screening tool to rapidly assess candidates and expedite recruitment. In October 2023, 81 percent of a total of 637 positions were located within Somalia (65 percent in 2021).

55. At the time of audit reporting, the structure for the key function of the transfer management team (TMT), whose scope of work is extensive, was still under discussion. TMT plays a key role in cash transfers, beneficiary deduplication and anomaly detection. Considering the post-delivery diversion issues, the function is critical in meeting identity management and cash-based transfer assurance standards. The audit team acknowledges the absence of corporate models to support the function and that the country office recognized the need for a diverse skillset, including expertise in technology, programming, data science, and engineering, as it develops the proposed structure for the new TMT. Nonetheless, decisions to decentralize or nationalize certain positions, such as the critical data analyst position, were not based on an informed understanding of the tasks or risks involved.

56. The delay in finalizing the TMT structure and function contributed to turnover of TMT staff, operational disruptions and loss of institutional knowledge. From November 2023, the country office has engaged a short-term consultant to support the country management on various change initiatives, including the TMT structural review.

<u>Underlying cause(s)</u>: Skills, oversight needs and risks such as conflict of interest and/or clan affiliation not considered in decisions to centralize or nationalize positions; training, handover and development plan not yet established; and cost analysis not undertaken.

Agreed Actions [Medium priority]

The country office will:

(i) Complete a task, skills and risk analysis for the transfer management process to determine the optimal structure for transfer management, including positions or roles to centralize and/or nationalize in the revised structure.

(ii) Based on the revised transfer management structure, develop a knowledge management and learning plan outlining key processes, roles and responsibilities to support both in-kind and cash-based transfers activities.

(iii) Conduct a cost analysis to determine what part of the cash transfer workflow will benefit most from the headquarters cash services and data assurance team support.

Timeline for implementation

30 June 2024


Programme design and implementation

57. WFP collaborates with national and regional government authorities and other United Nations agencies to implement its strategic plan, which aligns with Somalia's National Development Plan. WFP also serves as an implementing partner for the government's multi-year safety nets project, funded by the World Bank. During the operational scale-up in 2022, WFP partnered with the United Nations Children's Fund (UNICEF) to expand its assistance to hard-to-reach locations and the International Organization for Migration (IOM) to assist newly displaced people.[10]

58. To identify, plan and assist beneficiaries under its various interventions, WFP uses geographic and community-based targeting, informed by gender-sensitive food security and nutrition assessments. Geographic targeting primarily relies on IPC assessments to estimate the number of individuals in need.

59. The audit recognizes that the geographical, security and logistical challenges faced by the country office make reaching beneficiaries difficult. These challenges were compounded by a significant operational scale-up for famine prevention and the expansion of assistance to 13 hard-to-reach locations not accessible previously. Therefore, WFP relies on partnerships with over 100 NGOs to carry out key programme tasks, including community engagement, targeting, beneficiary registration and transfer management.

60. The country office discussed data-sharing with other United Nations agencies. This led to the formalization of a data-sharing agreement with the IOM in February 2023, which was operationalized in July 2023.

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

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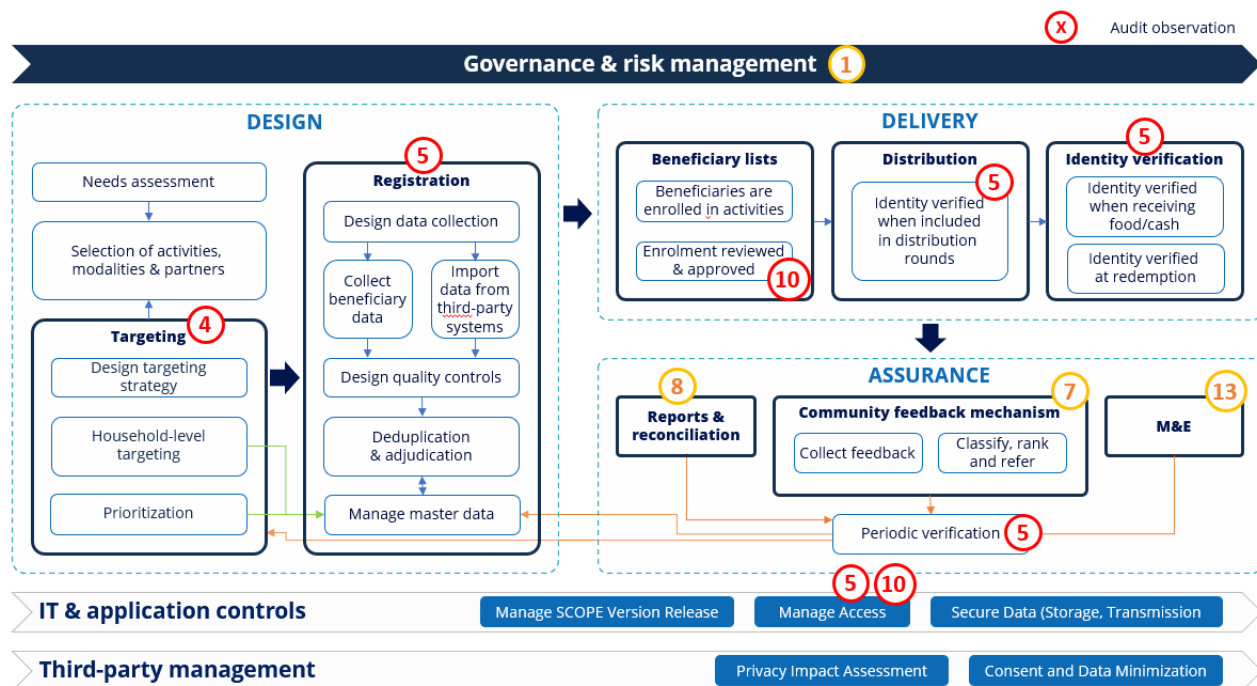
[10] IOM co-leads the camp coordination and camp management cluster with the United Nations High Commissioner for Refugees (UNHCR) to track and register newly displaced people.

Observation 4: Targeting and beneficiary selection

Targeting strategy inadequacies

61. Targeting for relief activities depended on the characteristics of population groups, such as displacement status, length of displacement and settlement type (formal or informal). The country office's 2022 targeting strategy did not cover certain critical aspects of the programme, as outlined below:

- It did not address the practical challenges of implementing community-based targeting such as access restrictions and limited staff movement and outsourcing of key tasks to CPs. The strategy was not aligned with actual targeting practices on the ground.

- It did not address the practice of relying on the camp coordination and camp management (CCCM) cluster data for targeting IDPs residing in formal settlements without additional verification.

- It did not consider targeting IDPs not registered by the CCCM cluster. IDP assistance, which is 20 percent of overall caseload, is therefore restricted to the CCCM cluster-registered beneficiaries, resulting in a significant risk of exclusion of vulnerable people.

Geographic targeting of villages and settlements

62. The geographical targeting approach used by area offices to prioritize villages and settlements was not well structured and was not documented. This risked targeting based on the presence of existing CPs rather than actual needs and the exclusion of areas without established CPs. At the time of the audit fieldwork, the country office was implementing the Seasonal Analysis and Response Plan (SARP) to have consultative decision-making involving CPs, local authorities and community leaders.

Household targeting and beneficiary selection

63. The country office adopted a community-based targeting approach for household identification and selection, whereby communities identified the most vulnerable members. The country office relied on CPs to oversee and validate the effective implementation of this approach by the communities. The audit observed the following gaps, which undermine the effectiveness of the household targeting process and expose it to undue influence and manipulation:

- The country office had limited direct community engagement and heavily depended on CPs for community sensitization and engagement. The audit observed that CPs often used informal community structures for community engagement, some of which were later linked to allegations of aid diversion.

- The country office had limited control over the outsourced process and had not established an effective mechanism to oversee or assess its implementation by CPs. Area offices had limited evidence of WFP involvement in community meetings, beneficiary list validation, beneficiary verifications and the vulnerability criteria indicators of beneficiaries.

- While the community followed WFP-established targeting criteria to select households for assistance, the selection was not evidenced by vulnerability assessment data, as the selection process did not require the collection of vulnerability marker data for each household to support evidence-based decision making.

- The country office's targeting and emergency response required that households should receive a maximum of six months of continuous assistance under relief assistance. In 2022, this could not be consistently implemented. By December 2022, 64 percent of the beneficiaries had received assistance for more than six months without rotation. From January 2023, the country office started rotating beneficiaries and reduced the number of beneficiaries who received more than six months of assistance to 23 percent by June 2023.

64. The targeting approach for IDPs in camp settings relies on displacement status alone with no assessment of household vulnerabilities. In addition, household targeting in CCCM cluster-managed camps relies solely on cluster referrals without additional verification, increasing the likelihood of exclusion errors. The status-based IDP targeting has raised concerns among donors regarding its effectiveness in ensuring that the most vulnerable households receive assistance.

Underlying cause(s): Limited staff movement due to security concerns increasing dependence on third parties for implementation; ineffective oversight of CPs; delayed decision to find evidence-based optimal targeting approach; and targeting and prioritization strategy not addressing practical challenges and actual practices.

Agreed Actions [High priority]

The country office will:

(i) Review the different targeting approaches and implement the most suitable method that ensures evidence-based beneficiary selection, minimum influence of informal community elites, and inclusion of marginalized groups.

(ii) Develop improved targeting verification and monitoring mechanism that ensures segregation of duties and reduces inclusion and exclusion error.

(iii) Establish a mechanism for effective monitoring and oversight of cooperating partners responsibilities in the household targeting process with a proper audit trail.

(iv) Develop measurable vulnerability-based metrics to guide targeting and prioritization decisions and establish a mechanism to collect household-level data on vulnerability markers.

(v) Update its targeting strategy and associated standard procedures to recognize practical challenges in implementing community-based targeting and reflect changes under this agreed action, including enhanced compensatory controls to improve overall targeting process.

Timeline for implementation

31 December 2024

Identity management

65. The country office managed the identities of 9.8 million beneficiaries assisted during the audit period. During the audit period, it used SCOPE[11] to register 2.6 million new unique identities, capturing their biodata and biometric information. It also used SCOPE to transfer 100 percent of the cash-based assistance, while transitioning from a manual process to the SCOPE platform to transfer in-kind assistance.

66. Since the last audit in 2021, the country office has improved its ability to identify and remove duplicate identities from its data using enhanced processes and technology. In 2022, the country office expanded the use of real-time biometric identification (RTBI) at registration points without connectivity to prevent duplicate registrations.

Observation 5: Identity registration, deduplication and verification

Beneficiary registration outsourced to cooperating partners

67. The country office contracted CPs to register beneficiaries, undertake real-time deduplication and manage payment instruments and entitlements across all programme activities. In addition, CPs are also responsible for other parts of the programme cycle such as beneficiary sensitization and targeting (Observation 4: Targeting and beneficiary selection and Observation 6: Gaps in community engagement, gender and protection). This resulted in insufficient segregation of duties and increased fraud risks without sufficient compensating controls. Although these risks were identified in previous oversight reports, the conditions and the residual risk persisted during the current audit period. The audit recognizes that access and staff movement restrictions limited WFP presence in the field and played a significant role in the decision to outsource.

Managing duplicates

68. The offline SCOPE application, utilized by CPs for beneficiary registration, does not have the ability to identify duplicate identities at the point of registration. The blanket use of offline applications across Somalia, driven by connectivity concerns, may need reconsideration as connectivity levels vary across different regions and locations. As SCOPE allows duplicate identities to enter the system, the country office conducts a separate, manual, de-duplication process to generate a clean distribution list.

69. During the audit period, the country office registered 2.6 million new beneficiaries, with an average of 35 percent being duplicates.[12] The high number of duplicates can be attributed to the absence of unique identifiers, the frequent movement of IDPs and beneficiaries' tendency to re-register multiple times. Since 2019, the country office has improved identity deduplication, reducing duplicates from 68 percent in December 2019 to 35 percent in 2022. The use of RTBI is not scalable due to the high cost (as described in Observation 10: Digital solutions and automation). Due to these challenges, the number of duplicate identities and associated residual risk will remain high.

70. The adjudication process effectively resolves existing duplicates in SCOPE. However, this manual process is lengthy and inefficient for emergencies. In 2022, a modified leaner process was implemented for brief period to fast-track the emergency response, as its inefficiencies risked significant delays. Furthermore, the process over-burdens CPs, requiring additional resources to investigate duplicate identities and repeat registrations.

Risk of split families and double dipping

71. The registration process in SCOPE captures biographic and biometric information only for the principal recipient and one alternate recipient per household, leaving out other family members. This approach increases the risk of multiple household registrations and the same family receiving multiple assistance.

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[11] SCOPE is the WFP beneficiary information and transfer management platform.

[12] Some locations experienced duplication rates exceeding 50 percent.

Gaps in identity management controls for mobile money

72. In the audit period, the country office considered mobile money as a preferred cash-based transfer mechanism. The country office expanded its use from 40 percent in 2021 to 60 percent without adequately assessing the associated fraud risks, especially relating to identity control. The country office relied on FSP controls like know your customer (KYC) checks, without testing their effectiveness.

73. Due to the COVID-19 pandemic, the country office suspended periodic beneficiary identity verifications in April 2020 and extended the waiver further in 2022. Consequently, the country office has not verified the identity of its mobile money beneficiaries, including those in the prolonged Baxnaano social safety net intervention, in the past three years. After initial registration, WFP engagement with beneficiaries for confirmation of their continued existence, possession of the correct payment instrument and consistent redemption of entitled benefits is limited to monitoring and community outreach and training by CPs.

74. The audit tested KYC checks for subscriber identity module (SIM) cards and associated wallets (as key payment instrument for mobile money) in Baidoa, Dollow and Puntland. Due to the lack of unique identifiers in Somalia, identity checks by MNOs for SIM card issuance and registration were not effective as it was possible to obtain and register SIM cards in anyone's name. Consequently, validating beneficiary mobile numbers using beneficiary names may not be an effective control. CP staff could easily exploit this weakness as they have the authority to modify beneficiary mobile number in SCOPE ([Observation 10: Digital solutions and automation](#)). According to the mobile money design for relief activities, SIM cards were issued and distributed to beneficiaries by MNOs or CPs. This practice was changed to allow beneficiaries to use their own SIM cards registered in their name, as observed in Baidoa and Dollow. Although this change was necessitated by the need to scale up assistance quickly, it was made without considering the associated risks. These gaps exposed mobile money transfers to the risk of fraud and misappropriation.

Underlying cause(s): Insufficient WFP control and role in key processes; connectivity not reassessed to inform technology solutions across the country; unclear corporate guidance on duplicate adjudication and biometric registration of all household members; and insufficient review of mobile money transfer process and risks.

Agreed Actions [High priority]

1) The country office will:

   (i) Review roles and responsibilities for identity management tasks to ensure segregation of duties exists, consider reassigning beneficiary registration back to the country office where possible and implement compensating controls through oversight and monitoring checks, where it is not feasible to reassign registration to the country office.

   (ii) Evaluate the risk of split families from partial household biometric collection and assess collecting biometric data for all household members.

2) The country office, in coordination with the Technology Division, will leverage the SCOPE online registration features for real-time deduplication where connectivity allows and establish data quality checks before uploading offline data to SCOPE live.

3) The country office, in coordination with the Regional Bureau of Eastern Africa, and Cash-Based Transfer Division, will:

   (i) Review the current deduplication processes to streamline the registration of new beneficiaries, resolve existing duplicates and minimize registration, deduplication and enrolment lead times.

   (ii) Conduct a business process review of mobile money transfer management processes to strengthen key identity controls and ensure periodic beneficiary re-verifications in accordance with the cash assurance framework.

Timeline for implementation

1) 30 June 2024

2) 31 December 2024

3) 30 June 2024

Accountability to affected populations

75. The country office relocated the programme policy officer leading accountability to affected populations (AAP) from the country to the area office. This strategic move aims to improve the implementation and integration of community engagement initiatives across operations through better coordination with gender, protection[13] and monitoring teams and other programme teams.

76. Since 2021, the country office has increased resources and training for management of its community feedback mechanism (CFM) and call centre. The country office uses SuitesCRM, a customized version of SugarCRM, as the digital solution for CFM data. The system is user-friendly and aligned with contextual requirements for efficient data capture.

77. The country office initiated measures (under implementation at the audit fieldwork stage) to enhance CFMs, gender sensitivity, protection and AAP. These efforts involved: (i) the introduction of toll-free numbers 3100 and 3200 along with an interactive voice response (IVR) system; (ii) the training of its staff and CPs; (iii) the development and dissemination of policies;[14] (iv) the appointment of dedicated staff for gender, protection and inclusion in area offices; and (v) the establishment of partnerships with various organizations.[15]

Observation 6: Gaps in community engagement, gender and protection

78. The country office relied on CPs to engage communities for participation in programmes and for programme information-sharing without implementing oversight or monitoring checks to verify the effectiveness of the engagement. The direct interaction of WFP with communities, beneficiary awareness of programme information and community-informed decisions were limited in most locations visited during the audit. The audit observed that CPs often use informal community structures for community engagement, some of which have been linked to allegations of aid diversion.

Gender-based violence and protection

79. There was no comprehensive protection risk analysis for programme activities or an assessment by the country office of CP capabilities related to gender and protection. CPs interviewed during the audit expressed concerns about limited resources impacting their ability to implement gender and protection-sensitive activities, noting beneficiaries are exposed to exploitation such as illegal taxation and systematic exclusion.

80. Prior to June 2023, gender and protection resources were centralized in the country office, which weakened communication of gender and protection-related information to beneficiaries. Beneficiary-focused group discussions with the audit team confirmed most beneficiaries did not receive information on what constitutes a reportable protection issue. The audit team observed protection risks affecting the safety and dignity of beneficiaries, such as beneficiaries walking 10 kilometres to get assistance and inappropriate handling of beneficiaries by security personnel at distribution points.

81. Low reporting of gender-based violence (GBV), protection and sexual exploitation and abuse (SEA) through the CFM of WFP and WFP call centre is influenced by contextual and cultural factors. It is acknowledged as a broader UN-wide issue in the country and is currently under review at the HCT level. Efforts are also under way in the post-delivery diversion action plan to integrate different CFMs and establishing common services by the end of the year.

Underlying cause(s): Absence of community engagement plan; absence of involvement of technical units in the assessment of CPs' protection-related capacities; limited CPs with expertise in gender and protection-related programmes; and absence of comprehensive protection analysis for programme activities.

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[13] Protection in this case refers to protection mainstreaming, gender-based violence (GBV), protection from sexual exploitation and abuse (PSEA) and inclusion (of minorities and persons with disabilities).

[14] WFP Protection and Accountability Policy, Community Engagement Strategy for Accountability to Affected Populations.

[15] Including UNHCR, protection clusters, food security clusters, minority rights groups, advocacy groups and organizations for persons with disabilities.

Agreed Actions [Medium priority]

The country office will:

(i) Implement the community engagement plan and monitor the effectiveness of associated actions and initiatives.

(ii) Assess cooperating partners' protection capacities with Gender and Protection Unit leads, identifying cooperating partners with relevant expertise and broad coverage for WFP to engage in delivering effective gender and protection initiatives.

(iii) Strengthen collaboration with other United Nations entities and protection cluster to conduct state-based protection analysis to support the integration of protection risk mitigation into area office programming.

Timeline for implementation

31 December 2024

Observation 7: Community awareness and case management

Awareness of community feedback mechanisms

82. Beneficiary complaints and feedback, as observed during field visits, are mainly communicated through established community-headed mechanisms and CPs. A recent post-distribution monitoring exercise reinforces this preference. The country office does not maintain visibility into complaints collected by CPs at their established helpdesks at distribution points and through community complaints committees.

83. WFP conducted multiple radio campaigns and used posters at distribution points to communicate feedback channel information to beneficiaries, including its call centre numbers. In most cases, beneficiaries with no or low literacy levels would not be able to read the posters, resulting in limited awareness of feedback mechanisms. Moreover, in Baidoa and Dollow, there was limited visibility of WFP posters at distribution points.

Case management

84. The country office's escalation system is digitized, allowing for easy tracking and visibility of the entire process. However, the follow-up of cases was manual and through emails, without password protection, posing a risk of unauthorized access to sensitive information. Call centre staff, who are knowledgeable about their work, had guidance for case management and escalation, including frequently asked questions (FAQs) and an escalation matrix defining key recipients for different types of feedback. These guidelines need to be reviewed as:

- Certain programmatic issues, such as long travel to or waiting times at distribution points, posing protection and safety risks, were classified as low priority.

- The guidelines and FAQ did not clarify fraud-related items and red flags. For example, issues related to non-functioning mobile money SIM cards were redirected to CPs to address when these could have been addressed by the country office or could be a fraud risk needing risk and compliance attention.

85. The current matrix for routing cases provides multiple alternatives for each category of complaint without one key focal point, resulting in a delay in resolution and cases being escalated to the wrong focal point. Escalation to area office heads was inconsistently applied and risk and compliance confirmed insufficient escalation of some cases as per the guidelines. The absence of defined timeframes for resolving cases, particularly high-priority ones, resulted in a high number of unresolved cases. During the audit fieldwork, 74 percent (198 cases) of the 268 open high- and medium-priority cases remained unresolved for more than three months.

86. In August 2023, WFP revised its CFM assurance standards with the aim of enhancing the action-oriented, data-driven and effective nature of CFM processes in addressing community concerns and improving WFP programmes.

There is a need for the country office to review and align its guidelines with the newly established toolkit for optimal implementation.

Underlying cause(s): Insufficient assessment of community engagement initiatives; absence of password protection measures for shared cases; resolution timeframes and follow-up mechanism not established.

Agreed Actions [Medium priority]

The country office will:

(i) Review the community feedback strategy, guidelines, standard operating procedures and tools to ensure alignment with new corporate assurance standards and establish mechanism to regularly monitor its effective implementation.

(ii) Implement password and other data protection measures in the community feedback mechanism systems to enhance security and safeguard sensitive information where possible, particularly during manual follow-up processes.

(iii) Establish clear resolution timeframes and allocate dedicated resources to ensure adherence with the timeframes, oversight, and accountability.

Timeline for implementation

31 December 2024
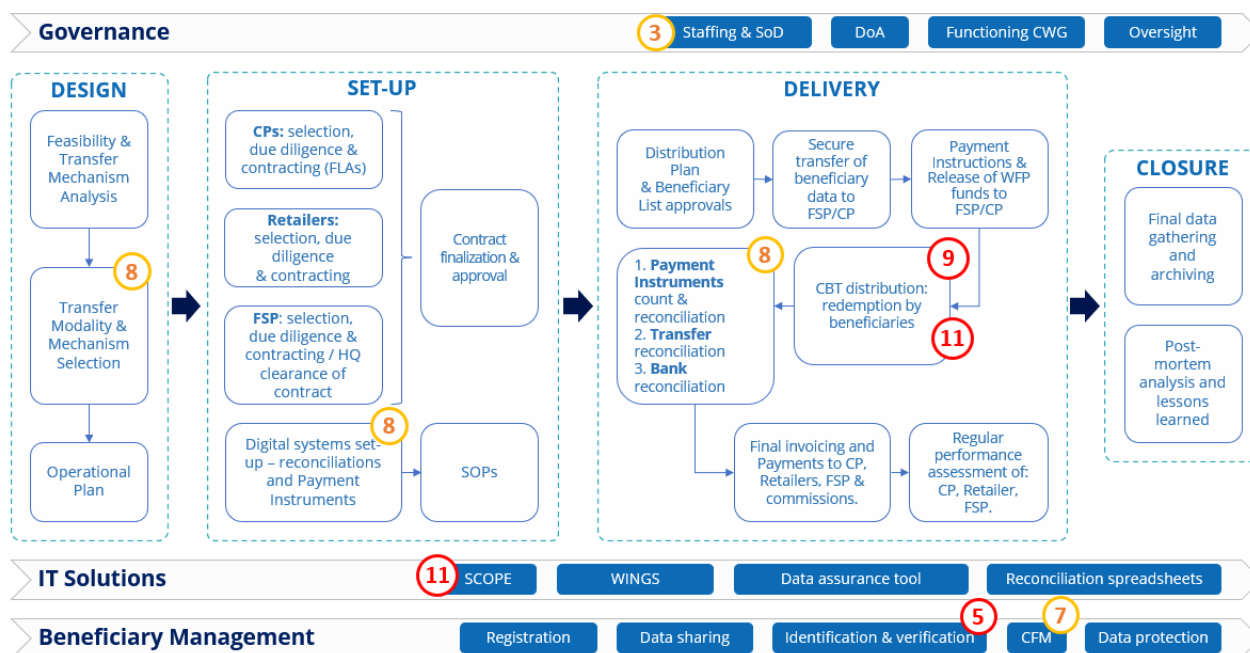

Cash-based transfers

87. Somalia implemented the largest cash-based transfer (CBT) operation by WPF in 2022, transferring USD 470.0 million[16] across all programme activities. This represented an increase of 128 percent from the USD 206.0 million transferred in 2021.[17] During the audit period, the country office delivered over USD 866.0 million[18] in cash transfers, 58 percent of which were through mobile money and 42 percent through value vouchers.

88. The country office used SCOPE for biometric registration, beneficiary enrolment and value voucher redemption through a network of over 1,400 retailers. In addition, it implemented mobile money through three MNOs and their extensive network of mobile money agents. It also contracted over 100 CPs to manage payment instruments (SCOPECARDS and SIM cards), including distribution and loading entitlements.

89. The country office's TMT played a critical role in implementing and scaling the CBT operations by collaborating closely with various units. The internal cash working group convened regularly under the leadership of a Deputy Country Director and offered guidance and support. The mandatory biometric verification of beneficiaries for entitlement redemption using SCOPECARD effectively reduced the risk of unauthorized redemption of SCOPECARD and fraud schemes whereby a single person could redeem multiple cards. The headquarters data assurance team supported the country office to automate the data transformations from SCOPE in the form of payment advice file (PAF) and file transfers (in both directions) between SCOPE and the FSPs' portals.

90. The audit assessed key controls of the CBT process, focusing on the setup and the delivery of the CBT.

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

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[16] WFP. 2022. Somalia Country Office Annual Country Report.

[17] WFP. 2021. Somalia Country Office Annual Country Report.

[18] From internal dashboard 2022 and 2023 data as of 31 October 2023.

Observation 8: Cash-based transfer delivery and reconciliation

Transfer mechanism choice

91. The country office used two cash delivery mechanisms: mobile money (unrestricted cash) and value vouchers. There were no criteria or guidelines to inform decisions to assign beneficiaries to either transfer mechanism, resulting in inconsistencies in beneficiary enrolment and an insufficient audit trail.

Management of financial services providers' contracts

92. Cash transfer amounts exceeded the financial guarantee threshold of USD 5.0 million set in the FSP contractual agreement by a margin of USD 18.0 million on average. In some instances, related to Hormuud FSP, the cash amount received by the FSP was three to four times higher than the amount of the financial guarantee. The country office did not formally assess and document the decision to not increase the financial guarantee and accept the insolvency risk of the FSP.

93. The country office did not request that the FSPs regularly report on inactive and dormant accounts as stipulated in the contractual agreements. Consequently, the country office had limited visibility on cash transfers to wallets no longer in use or not actively used. The lack of visibility resulted in WFP continuing to transfer funds to inactive accounts, which may not be redeemed by the beneficiaries.

Inefficiencies in the reconciliation process

94. Reconciliation of WFP payment advice file to the FSP final transfer report is a key control to ensure completeness and accuracy of payments to beneficiaries. The current wallet reconciliation process is inefficient, error-prone and time-consuming. While the transfer report directly downloaded from the FSP portal was unreliable and cannot be used, the country office obtained an alternative manual transfer report from the FSP for the reconciliation process. The regional bureau also raised this issue in their 2022 support mission report.

Underlying causes: Absence of relief standard operating procedure (SOP) and guidelines to assign beneficiaries to delivery mechanism; absence of risk monitoring related to financial guarantee from FSPs; poor data from the FSP portal; and absence of interoperability between the MNOs in the country.

Agreed Actions [Medium priority]

The country office will:

  (i)   Develop a strategy that defines allocation of beneficiaries to delivery mechanism based on programme objectives, desired outcomes, market conditions, beneficiary preferences, and risks.

  (ii) Develop guidelines to ensure operationalization of the strategy.

  (iii) Evaluate and document the risks associated with cash balances with financial service providers significantly higher than their financial guarantee and decide to either enforce contractual obligations or accept additional risk.

  (iv) Enforce contractual obligations to require financial service providers to improve the reliability and accuracy of the system-generated transfer report to streamline the reconciliation process.

Timeline for implementation

31 December 2024

Supply chain (including procurement, logistics and retailer management)

95. In Somalia, in-kind food assistance is relatively small in scale, with the country office distributing 85,000 metric tons of food to 3 million beneficiaries in 2022 under general food distribution and nutrition prevention and treatment activities. Since 2021, the country office has shifted its assistance from in-kind food distribution to CBT.

96. As described in paragraph 35, the audit relied on regional bureau oversight missions and partially tested controls related to procurement and logistics. Both oversight missions have raised several high- and medium- priority issues and the country office has started addressing them.

Figure 3: Simplified process diagram and related audit observations for logistics
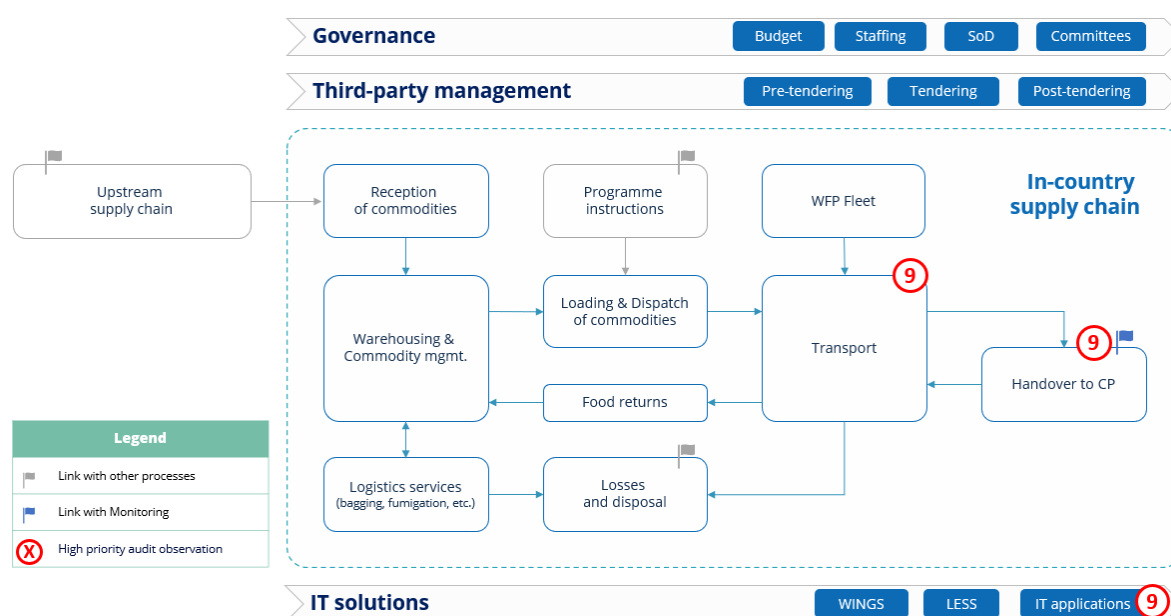
Observation 9: Retailer management and commodity last-mile traceability

Retailer malpractice

97. During field visits in Dollow and Baidoa, the audit team noted instances of WFP retailers overcharging beneficiaries or charging for commodities not in their shops. In Dollow, half of the retailers visited charged 30 percent above the market price for key commodities. The point-of-sale equipment does not prevent this risk of manipulation, as described in Observation 11: Retailers point of sale for voucher modality in more detail.

98.   During 2022, the country office attempted to map redemptions at retailers geographically to identify anomalies. However, there were inaccuracies of geo-locations captured by the point-of-sale equipment. Over 200 retailers had no redemptions in the audit period. This was complemented by the results of a retailer digital census by the country office, which confirmed that over 100 retailers could not be physically located. As confirmed through the beneficiary focus group discussions during the audit field visits, WFP contracted retailers were often located far from beneficiaries, requiring long travel times and additional transport costs for card redemption. This also incentivized retailers to use the mobile point-of-sale (mPOS) devices outside of the approved locations and working hours and potentially charge extra.

99.   Aware of these challenges, the country office enhanced its retailer management through the use of digital tools including the retailer performance monitoring and evaluation tool (RPME), retailer onboarding and contracting tool (ROC), and contract management system. The country office contracted additional logistics third-party monitors to complement the use of RPME. In addition, the country office plans to implement geofencing retailers to disable the mPOS functionality outside of their contractual limits.

100. While the mandatory use of biometrics at redemption, enhanced retailer monitoring and increasing use of data analytics have mitigated the risk of unauthorized individuals redeeming a card, fraud risks related to retailer manipulation of actual sales, unauthorized transactions and potential exploitation of beneficiaries remain.

Diversion risks and tracking of commodities

101. The country office reported incidents of food commodity theft and diversion, including the sale of nutrition commodities in local markets, and enhanced its control measures to track the presence of food in local markets and reduce the risk of aid diversion. These measures include ink coding packaging, vehicle tracking and the use of the last-mile mobile application (LSMA).[19] These efforts notwithstanding, last-mile traceability of in-kind commodities remains limited due to the low adoption of LSMA by CPs. In 2022, only 42 percent of waybills were processed using LSMA. Furthermore, the audit team observed in Dollow and Baidoa that the ink-coding of packaging was not consistently applied in the field offices.

102. While the country office delivers in-kind food to beneficiaries through CPs, it had limited capacity to monitor stock management practices, stock utilization and inventory accuracy at CP facilities. In addition, there is no mechanism to obtain adequate assurance on the CP stock levels through periodic physical verification or spot checks due to multiple factors, including staff movement limitations.

Underlying causes: Absence of a retail engagement strategy; equipment limitations restricting data analytics ability; absence of mechanism to monitor and hold CPs accountable; weak monitoring of controls implementation at field offices; and insufficient support on corporate solutions and sharing of good practices in the region.

Agreed Actions [High priority]

1) The country office, in coordination with the Supply Chain Cash-Based Transfers, Retail and Markets Unit, will:

   (i) Develop a market and retail engagement strategy as cash transfers through value voucher reduce and mobile money increases, considering long-term programmatic objectives and the cost of oversight and control and determine the optimal size of the retailer network and technology solutions to use.

   (ii) Establish continuous monitoring of key metrics through data analytics to identify anomalies, including mapping global positioning system location of transactions against the global positioning system location of the retailer to identify unauthorized transactions.

2) The country office will:

   (i) Roll out the use of LESS last-mile application to cooperating partners following a risk-informed approach.

   (ii) Establish key commodity management checks at the CP level as part of the monitoring process and hold area offices accountable for the implementation of key commodity management controls.

3) The country office, in coordination with the Regional Bureau of East Africa and headquarters Supply Chain Operations Division Logistics Branch and building on good practices in the region, will conduct a cost-benefit analysis of expanding the use of LESS light warehouse solution to cooperating partner warehouses.

Timeline for implementation

1) 30 June 2024

2) 30 June 2024

3) 30 June 2024

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[19] The LESS last-mile mobile application is a corporate solution that records real-time transactions of food and improves the accountability and accuracy of commodity accounting information.

Digital solutions and automation

Observation 10: Digital solutions and automation

Cooperating partner unrestricted rights

103. CPs use the SCOPE offline registration application to register beneficiaries, with subsequent synchronization to the SCOPE server. The 'registrar' SCOPE profile grants CPs unrestricted rights to edit beneficiary information, allowing modifications before initial upload or any later point. In either case, the modifications made by the staff will overwrite the existing data, posing a heightened risk of the fraudulent manipulation of beneficiary data. Moreover, the country office has not fully leveraged data analytics for consistent monitoring and anomaly detection of changes to beneficiary information.

Use and costs of SCOPE and related digital solutions

104. In low-connectivity settings, duplicate identity registrations are a challenge, with the only available offline solution, RTBI, deemed unaffordable due to high operating costs. Each RTBI kit costs an average of USD 5,000 in Somalia. Despite its effectiveness, the 201 available devices could only cover 10 percent of the registration sites during the audit period.

105. The country office incurred significant expenses totalling USD 9.0 million over the audit period on SCOPE and associated equipment. This consisted of USD 6.3 million for operating the voucher modality, USD 2.0 million for RTBI and fingerprint scanners and USD 0.7 million for headquarters SCOPE cost recovery. The substantial financial commitment required for the SCOPE system, including its ancillary equipment and required maintenance, raises concerns about its cost-effectiveness and long-term viability.

Manual intervention in cash-based transfers

106. Several steps in the CBT delivery process, such as suspending beneficiaries,[20] validating telephone numbers and resending failed transfers, were performed manually and without compensating supervisory controls, increasing the risks of errors and impacting the efficiency of the process. In 2023, the country office planned to rotate beneficiaries after six months of assistance but faced challenges as this needed to be done manually off the system by area offices.

107. In Somalia, beneficiaries receiving value vouchers through SCOPECARD are required to physically present their card every month at a designated top-up centre to load their entitlement for every new cycle of assistance. The audit observed that beneficiaries walk long distances and wait for hours for a transaction that takes a few minutes.

Underlying causes: Insufficient review of the business process and use of technology developments; improvement of application and access controls for SCOPE offline application not prioritized at headquarters.

Agreed Actions [High priority]

1) The country office, in coordination with the Regional Bureau of Eastern Africa, Technology Division, and Cash-Based Transfer Division, will prioritize and automate key manual processes to minimize the risk of error and, meanwhile, strengthen supervisory oversight of manual processes by implementing clear procedures and ensuring proper audit trail.

2) The Technology Division, in coordination with the country office and Cash-Based Transfer Division, will implement tiered access controls for cooperating partners' staff within the SCOPE registration application, to limit their ability to modify beneficiary information without proper authorization and audit trails, and identify solutions to monitor key beneficiary information changes by cooperating staff to help establish detective controls.

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[20] Beneficiaries are suspended from intervention when they reach the maximum allowable duration for receiving benefits. In 2023, the country office started suspending beneficiaries who have already been assisted for six months.

3) In coherence and alignment with programmatic perspective and the overall identity management solutions architecture, the Technology Division, in coordination with the Cash-Based Transfer Division and Supply Chain Cash-Based Transfers, Retail and Markets Unit, will identify a more efficient method for loading beneficiary entitlements onto SCOPECARDS for cash transfer under value voucher modality.

Timeline for implementation

1) 30 September 2024

2) 31 December 2025

3) 31 December 2025

Observation 11: Retailers point of sale for voucher modality

108. In 2022, the country office delivered USD 192.0 million in cash assistance using SCOPECARD,[21] redeemable at more than 1,400 contracted retailers. Retailers use mPOS machines with fingerprint scanners to redeem cards and the machine synchronizes sales data with SCOPE.

109. WFP has a long-term agreement with only one service provider for machines, which leads to dependency on the supplier for equipment availability and performance. The country office encountered many issues with the performance of these devices, resulting in inefficiencies and increased risk of fraud and exploitation of beneficiaries, but depends on the Technology Division in headquarters to find better alternatives. Some of the issues noted during the audit were:

- The current mPOS machines may be technologically outdated with weak controls and basic functions, yet they are expensive to procure and maintain.

- The current machines require manual entry of sales information by retailers, resulting in inaccurate and unreliable sales data. Although the total value of the voucher is correctly redeemed, there is no assurance of actual sales and correct prices. The unreliable data also prevents WFP from using data analytics to detect anomalies and monitor trends.

- These machines provide inaccurate GPS location data for transactions, preventing the country office from detecting unauthorized transactions outside retailers' operational areas and flagging suspicious activities.

110. A comprehensive review of the business processes and an outline of business expectations from technology have not been conducted at the corporate level.

Underlying causes: Insufficient review of the business process and use of technology developments; unclear roles within cross-functional processes; and business requirements not driving effective technology solutions.

Agreed Actions [High priority]

1) The Supply Chain Cash-Based Transfers, Retail and Markets Unit, in coordination with relevant headquarter units, will:

   (i) Clarify which unit at headquarters will have the primary responsibility for contracting equipment vendors for delivery of value voucher transfer modality, which currently resides with the Technology Division.

   (ii) Review its business process for value vouchers through retailers and outline assurance standards and expectations from technology solutions.

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[21] SCOPE cards, a smart card, act as an e-voucher with which beneficiaries can redeem food in a network of retailers contracted by WFP.

(iii) Establish coordination and risk monitoring mechanisms for visibility on challenges and risks across different operations to inform corporate system improvement plans.

2) At the renewal of the long-term agreement with the current vendor for mobile point-of-sale machines, the Technology Division will conduct a comprehensive market analysis to identify technology solutions and vendor options and coordinate with the Cash-Based Transfer Division and Supply Chain Cash-Based Transfers, Retail and Market Unit to formulate expression of interest and vendor selection, to ensure alignment of technology decisions with the programme requirements.

Timeline for implementation

1) 30 September 2024

2) 31 December 2025

Non-governmental organization management

111. During the audit period, the country office contracted 100 CPs to implement programmatic activities, 85 percent of which were local NGOs and entities. The value of field-level agreements (FLAs) signed between January 2022 and June 2023 amounted to USD 58.0 million.

112. The CP Unit underwent structural changes in 2023, as the country office management increased the presence of partnership staff in area offices to strengthen collaboration with CPs. The country office uses the United Nations Partner Portal (UNPP) and leverages on CP information from other United Nations agencies.

113. The country office conducted due diligence and sanction checks on CPs. Following recommendations from the 2021 internal audit,[9] and outcome of a joint spot check exercise with UNICEF in 2022, the country office conducted a CP risk ranking analysis to prioritize spot checks. In December 2023 the first round of CP spot checks, conducted by three independent firms, were completed, and the country office was in the process of reviewing the results and developing action plans.

Observation 12: Improving processes for the partner management lifecycle

Capacity assessments

114. CP capacity assessments reviewed by the audit team did not systematically include on-site visits and verification of their premises at the time of selection. The capacity assessments were generic and had inaccuracies. In addition, the capacity assessment process was not inclusive and did not always involve key technical units. They were performed by a single person, without including other functions like finance, supply chain, reporting and human resources. Furthermore, capacity assessments did not inform the numerous training initiatives delivered, which resulted in a missed opportunity to develop tailored capacity strengthening and improvement plans, as confirmed by CPs interviewed for the audit.

Multi-layered review of contract management and payment processes

115. The country office had a multi-layered process for CP selection and invoice payment involving various teams, such as the programme unit, CP management unit, risk management unit, technical focal points and the CPC at the area or country office. This approach was designed to reduce the risk of fraud and undue influence, given past incidents of fraud involving cooperating partners. However, this process has led to redundancies and duplicated efforts resulting in contract and payment delays and inefficiencies.

116. CPs expressed concerns about delayed payments, which sometimes extended beyond two months, and highlighted issues with timely communication and follow-ups by the country office. As some aspects of the invoice payment process are offline and related dates are not captured in the invoice tracking system, the country office was unable to track delays and identify bottlenecks. Moreover, despite complete approvals in the online tracking system, the invoice payment process still required an additional manual offline approval from the programme team before finance could proceed with payment. These inefficiencies contributed to the overall delay in payments and adversely impacted programme implementation and partnership.

117. In June 2023, the country office reviewed its business processes for the partnership management lifecycle to enhance effectiveness and efficiency. This review led to the development of a roadmap that included plans to empower field offices further and decentralize certain functions. The implementation of this roadmap had just started at the time of the audit.

Cooperating partners staff cost budgeting

118. The country office practice of treating all CP staff costs as variable transfer costs within the FLA budget has created unnecessary complexity and uncertainty for CPs. This approach means that CP staff costs fluctuate frequently whenever there is a change in the volume of in-kind food or the value of CBT in the FLA. During the audit period, the country office frequently amended FLA budgets, resulting in multiple adjustments to CP staff costs,

sometimes as frequently as twice to four times a year. For example, one CP experienced staff cost fluctuations ranging from USD 7,000 to USD 14,000, with three adjustments during 2022 alone.

119.   In practice, most CP staff costs are fixed and do not change frequently. The constant uncertainty in FLA budgets makes it challenging for CPs to plan and manage their staffing needs effectively. To avoid financial risk, CPs preferred to maintain minimal staffing structures, potentially impacting programme quality. CPs interviewed during the audit fieldwork expressed concerns about this uncertainty and its impact on their programme delivery capabilities. They emphasized the need for a more stable budget commitment for essential project delivery staff.

Performance evaluation

120. The country office conducted CP performance evaluations without engagement and discussion with CPs to get their buy-in and understand challenges in order to identify the required support. In addition, the templates used did not clearly outline the performance indicators used for the assessment to allow the assessor to use judgment, therefore risking bias and inadequate assessment.

Underlying cause(s): Disparity between operational guidelines and on-ground implementation; process review not followed by action plan implementation; Insufficient involvement of technical units in partner capacity assessments; and sub-optimal treatment of fixed and variable costs in CP budgets.

Agreed Actions [Medium priority]

1.   The country office will:

   (i)   Implement streamlined processes for partner selection, field-level agreement management and partner invoice payment with clear roles and responsibilities between the country and field offices, appropriate segregation of duties, oversight by country office and minimal duplication of reviews and approvals.

   The country office had already implemented the agreed action 1(i) by implementing a decentralized end-to-end partnership management process starting in December 2023.

   (ii)   Review and evaluate the effectiveness of the streamlined process, oversight by the country office, and mitigation of potential risks associated with the streamlined process, including risk of fraud and undue influence.

2.   The country office will:

   (i)   Develop partner capacity assessment process to incorporate and document active involvement of a diverse cross functional team including finance, programme, logistics, monitoring, gender and protection specialists.

   (ii)   Establish performance standards and key performance indicators for the cooperating partner evaluation process and regularly engage partners in bilateral discussions on improvement plans prior to renewing contracts.

3.   The country office will implement best practices on cooperating partner budget management, providing training to cooperating partners with support from the regional bureau and headquarters.

Timeline for implementation

1)   31 December 2024

2)   31 December 2024

3)   31 December 2024

Monitoring

121. Following a staffing skills gap assessment in May 2023, the country office invested additional resources in its monitoring function. At the time of audit fieldwork, the monitoring unit, overseen by the head of Planning, Monitoring, Learning and Evaluation (PMLE), comprised 51 WFP monitors across the country. To optimize its capabilities, the Monitoring Unit used a third-party monitor (TPM), leveraging external expertise to complement its internal capacity and achieve monitoring coverage targets, especially in areas where WFP presence is constrained by security and access restrictions.[22] The country office follows the principle of 'only implement activities where monitoring is possible'.

122. The Monitoring Unit has significantly improved its monitoring function following the 2021 internal audit recommendations. Key improvements included: (i) a forward-looking monitoring strategy aligned with 2022–2025 goals; (ii) independent reporting lines[23] to country office management in advance of corporate guidelines; (iii) use of corporate tools for standardized monitoring; (iv) updated performance frameworks for TPM services; (v) monitoring coverage and progress dashboards for a comprehensive overview; (vi) triangulation of monitoring data with CFM information; and (vii) bi-weekly and monthly reflections sessions attended by the TPM, where key issues identified, such as aid diversion, illegal taxation of beneficiaries, retailer malpractice and insufficient sensitization, are discussed, documented and escalated to management. In July 2023, the country office received regional bureau support to train its monitoring staff, including the TPM.

123. The country office used digital tool mobile operational data acquisition (MoDA) for data collection and the corporate risk-based site selection (RBSS) templates for planning monthly monitoring activities.

Figure 4: Simplified process diagram and related audit observations for monitoring

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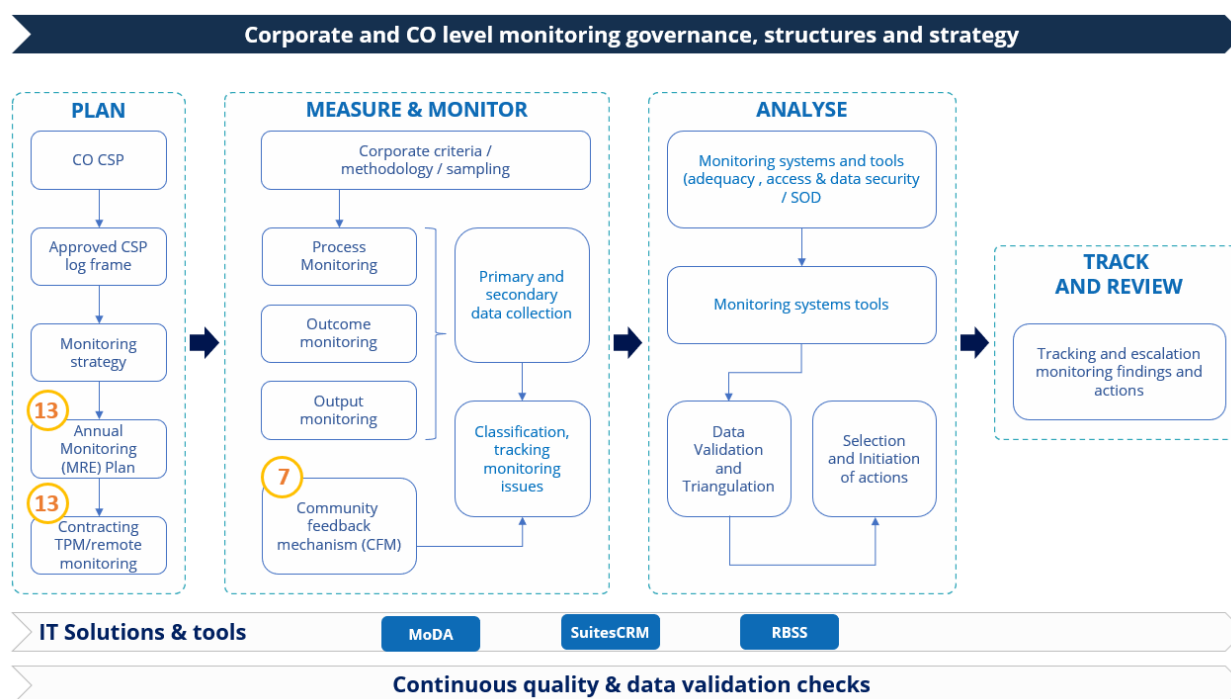
[22] WFP corporate requirements stipulate the use of TPMs in situations where teams face constraints due to the large number of sites to visit, accessibility issues, or where there is a risk of bias.

[23] The head of Planning, Monitoring, Learning and Evaluation (PMLE) reports directly to the Country Director, area office PMLE leads report to the head of area office with dotted reporting lines to the head of PMLE.

Observation 13: Third-party monitoring risks and performance

124. The country office achieves its monitoring coverage through internal monitors, TPM and remote monitoring. This includes monitoring (process, outcome and targeting), planning and accountability, as well as learning, reviews and evaluations.

125. The country office exceeds corporate requirements for yearly coverage of all active sites. It plans to monthly monitor 34 percent, or one-third, of active distribution sites (on average 4,200 sites) using the RBSS tool. In practice, this translates to an active site being monitored four times a year. The country office maintained a steady average coverage rate of 88 percent on its plans. From July 2023, there were instances where the coverage exceeded the initially planned activities. However, the audit team identified gaps, which included:

- Use of the same TPM, a service provider engaged by multiple humanitarian organizations and United Nations agencies in Somalia, since 2011. The long association with the same TPM did not always meet expectations of independent checks on WFP programme.

- Over-reliance on TPM for monitoring, with 74 percent coverage in inaccessible areas (Dollow, Galmudug and Mogadishu) and 55 percent coverage in accessible areas (Puntland and Somaliland), indicates a sub-optimal selection of monitoring strategies for various geographic locations.

- Excessive workload and reporting requirements from WFP resulting in stretched TPM resources, impacting the quality of their monitoring. This was confirmed through interviews and the review of a sample of monitoring reports, coverage plans and performance evaluation results.

Underlying cause(s): Insufficient assessment of operational risks, including workload challenges, and financial risks associated with a single TPM and options to diversity and expand the pool of service providers; and insufficient consideration of security information in informing the risk-based selection and monitoring strategy for accessible and inaccessible areas.

Agreed Actions [Medium priority]

The country office will:

(i) Review alternative options to diversify third-party monitor service providers in Somalia by conducting market assessment, capacity evaluations, and due diligence to achieve additional data triangulation.

(ii) Equip decision-makers with timely data driven information and insights by integrating stakeholder consultations and security risk information into the selection of monitoring approaches for accessible and inaccessible areas.

Timeline for implementation

31 December 2024

Other areas covered

Management services (administration)

126. Testing in this area was limited to management of assets at country and area office-level. The audit reviewed the country office's physical count and asset reconciliation report, unreconciled items and conformance with corporate requirements. The audit team performed a physical inventory count of assets in Dollow, Baidoa and Mogadishu to verify the accuracy of the reconciliation report.

127. The audit did not identify any reportable matters based on the work performed in this area.

Contribution management

128. The audit reviewed the country office's funding strategy and resource planning processes; the grant formulation and negotiation process, including negotiations on non-standard conditions with donors; the frameworks in place for ensuring compliance with donor reporting conditions; and donor engagement in discussions about key risks and managing donor expectations.

129. Apart from the observation related to donor engagement and addressed at corporate level, presented in Observation 2: Prohibited practices incident reporting to donors, the audit did not identify any other reportable matters.

Security and access management

130. The delivery of humanitarian assistance in Somalia is significantly hampered by insecurity and access constraints. These were further worsened with the military offensive against Al-Shabaab in 2022. The United Nation's stringent security measures severely restricted national and international staff movement, necessitating armoured vehicles, military escorts and personal protective equipment and limited field mission durations. In contrast, non-governmental organizations faced fewer movement restrictions and had benefited from wider access.

131. Security and access were reviewed as a cross-cutting theme and are a key root cause for several of the observations in this report. The audit did not identify any specific observations related to this area.

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 for monitoring the implementation of agreed actions.

#	Observation (number/title)	Area	Owner	Priority	Timeline for implementation
1.	Governance and risk management	Governance and risk management	Country office	Medium	1) 31 December 2024 2) 29 February 2024
2.	Prohibited practices incident reporting to donors	Governance and risk management	Public Partnerships and Resourcing Division	**High**	31 December 2024
3.	Transition of workforce to Somalia	Governance and risk management	Country office	Medium	30 June 2024
4.	Targeting and beneficiary selection	Programme design and implementation	Country office	**High**	31 December 2024
5.	Identity registration, deduplication and verification	Identity management	Country office	**High**	1) 30 June 2024 2) 31 December 2024 3) 30 June 2024
6.	Gaps in community engagement, gender and protection	Accountability to affected populations	Country office	Medium	31 December 2024
7.	Community awareness and case management	Accountability to affected populations	Country office	Medium	31 December 2024
8.	Cash-based transfer delivery and reconciliation	Cash-based transfers	Country office	Medium	31 December 2024
9.	Retailer management and commodity last-mile traceability	Supply chain	Country office	**High**	1) 30 June 2024 2) 30 June 2024 3) 30 June 2024
10.	Digital solutions and automation	Digital solutions and automation	Technology Division Supply Chain Cash-Based Transfers, Retail and Markets Unit Country office	**High**	1) 30 September 2024 2) 31 December 2025 3) 31 December 2025
11.	Retailers point of sale for voucher modality	Digital solutions and automation	Supply Chain Cash-Based Transfers, Retail and Markets Unit Technology Division	**High**	1) 30 September 2024 2) 31 December 2025
12.	Improving processes for the partner management lifecycle	Non-governmental organization management	Country office	Medium	1) 31 December 2024 2) 31 December 2024 3) 31 December 2024
13.	Third-party monitoring risks and performance	Monitoring	Country office	Medium	31 December 2024

Annex B – Definitions of audit terms: ratings and 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 needed 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 act 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: (i) observations that are specific to an office, unit or division; and (ii) observations that may relate to a broader policy, process or corporate decision and may have a broad impact.[24]

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[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 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 actions 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 that owns the actions is informed. Transparency on accepting the risk is essential. The Enterprise Risk Management Division is copied in 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

AAP	Accountability to affected population
AFAC	Anti-fraud and anti-corruption
CBT	Cash-based transfer
CCCM	Camp coordination and camp management
CP	Cooperating partner
CSP	Country strategic plan
CWG	Cash working group
DoA	Delegation of authority
FSP	Financial service provider
IDP	Internally displaced person
IPC	Integrated Food Security Phase Classification
KYC	Know your customer
LSMA	Last-mile mobile application
MNO	Mobile network operator
mPOS	Mobile point-of-sale
NGO	Non-governmental organization
OIGI	Office of Inspections and Investigations
PAF	Payment advice file
RTBI	Real-time biometric identification
SCOPE	WFP beneficiary information and transfer management platform
SoD	Segregation of duties
SOP	Standard operation procedure
SIM	Subscriber identity module
TMT	Transfer management team
TPM	Third-party monitoring
UN	United Nations
UNPP	United Nations Partner Portal
USD	United States dollars
WFP	World Food Programme

Annex D – List of figures