

10 January 2024

Management Comments to the Internal Audit Report of WFP Operations in Sri Lanka (AR/23/20)

WFP Management welcomes the observations made by the Office of the Inspector General (OIG) in its internal audit report on WFP Operations in Sri Lanka (AR/23/20), covering the period from 1 June 2022 to 31 August 2023. WFP Management values the audit's focus on governance, programme management, cooperating partner management, monitoring, and procurement.

WFP's operations in Sri Lanka are outlined in its country strategic plan (CSP) spanning from 2023 to 2027. The CSP aligns with the Government's vision of attaining food security and eliminating hunger, in accordance with national development priorities. In early 2022, Sri Lanka was confronted with an unprecedented economic downturn along with the adverse effects of turmoil in 2019, the COVID-19 pandemic and the Ukraine crisis, which led to a worsened food security and nutrition situation in the country. Severe shortages of essential items such as food, fuel and medicines as well as power outages were attributed to the plummeting national currency and depleted foreign exchange reserves, triggering sudden civil unrest and widespread demonstrations throughout the country. In June 2022, WFP transitioned into an early action and emergency phase that bridged the previous CSP (2018-2022) and the current CSP (2023-2027). WFP's operations in Sri Lanka are characterized by a unique execution model, where the Government of Sri Lanka maintains the principal role in implementing emergency and development activities. This is facilitated through the Partnership Secretariat for WFP Cooperation (established since January 2023, and previously managed by the Project Management Unit of the Department of National Planning), in collaboration with various line ministries and agencies.

After the then interim Prime Minister appealed for emergency support, WFP demonstrated commendable strength by promptly mobilizing its capacity. A swift response from WFP effectively mitigated the multidimensional risks involved while maintaining robust accountability systems. To complement corporate guidance in order to fully capture the uniqueness of WFP operations in Sri Lanka, and based on principles of government ownership, systematic post-event analysis facilitates continuous improvement in WFP's readiness to respond to emergencies.

WFP Management acknowledges the report's overall conclusion of "**some improvement needed**" and agrees with the two high-priority and four medium-priority observations outlined in the audit report. WFP Management fully endorses the corresponding agreed actions and has commenced their implementation, with completion expected within the agreed timelines.

By leveraging strengths, building on good practices, and incorporating the actions and lessons learned from the audit review, WFP Management recognizes that WFP is well positioned to strengthen its emergency response capabilities in Sri Lanka, should the need arise. WFP Management acknowledges the importance of reviewing business processes to ensure effective governance of cooperating partners, including conducting spot checks and performance evaluations. Additionally, WFP Management underscores the importance of addressing



observations and agreed-upon actions to enhance assurance over in-kind and cash-based transfers, with a focus on reconciling and reviewing the distribution planning process.

WFP Management is committed to regularly reviewing the implementation of agreed-upon actions and will provide updates through WFP's corporate tracking tool. The Regional Bureau for Asia and the Pacific will provide guidance and technical support to the country office, as required.

WFP Management expresses its appreciation to the Office of the Inspector General for conducting a comprehensive analysis and internal audit review, showcasing excellent collaboration with the country office team. The implementation of the recommended actions will play a crucial role in enhancing operational effectiveness and strengthening governance, risk management, and internal control processes of WFP's operations in Sri Lanka.