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# Internal Audit of WFP Operations in Nigeria

Office of the Inspector General  
Internal Audit Report AR/24/03



World Food  
Programme

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## I. Executive summary

### WFP Nigeria Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Nigeria. The audit (covering the period from 1 January 2022 to 30 June 2023) focused on risk management and management oversight, programme design and implementation of selected activities, identity management and digital solutions, supply chain, programme monitoring and accountability to affected population. In addition, the audit carried out tailored reviews of cash-based transfers, non-governmental organization management, donor engagement and contribution management, humanitarian access management, and gender and diversity.

2. In 2022, WFP assisted 1.8 million beneficiaries, including 1.2 million residents and 0.5 million internally displaced persons, by providing 90,594 metric tons of food and USD 83.3 million in cash transfers. Expenses incurred in 2022 amounted to USD 283.2 million. The new Country Strategic Plan 2023-2027 has an initial need-based budget of USD 2.6 billion.

### Audit conclusions and key results

3. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **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 objectives of the audited entity/area should be achieved. Issues 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.

4. Since the 2021 internal audit, the country office implemented process improvements to strengthen controls in risk management, beneficiary prioritization, verification and deduplication, cash-based transfers, and programme monitoring. The country office, in coordination with the Regional Bureau for Western Africa had initiated pilot projects to digitize certain processes and enhance existing automated systems. Country office staff were experienced and knowledgeable. Management oversight meetings and committees, supported by operational analyses and the control tower platform, were effective.

5. The country office also continued to build the capacity of the Risk Management and Compliance Unit, which played an important role in identifying and managing operational and fraud risks. The audit acknowledges the country office's ongoing efforts to strengthen its fraud risk management which include conducting a fraud risk assessment and updating the implementation status of mitigating actions associated with the fraud risks identified.

6. In late 2022, the country office management launched an implementation review aimed to: (a) ensure that office structures and processes are optimally positioned to deliver high-quality results in line with the new country strategic plan; (b) identify operational strengths, weaknesses, and lessons learned; and (c) articulate practical actions to enhance good practices and address gaps in key operational areas. The review covers all country office functional units and field offices increasing the visibility of action points and enhancements being implemented as well as cross-functional coordination. In 2023, the country office accessed five previously hard-to-reach local government areas and targeted affected populations in Northeast Nigeria for food and nutrition assistance.

7. In 2023, the overall monitoring coverage of 61 percent was below target due to resourcing challenges attributed to a four-month programme monitoring interruption when third-party monitors had either no contract or participated in onboarding training; and insufficient data collection tools to support effective third-party monitoring. In addition, the country office did not use a consistent sampling methodology to expand distribution monitoring for in-kind modified group distributions. This limited the level of assurance that assisted households received the correct food entitlements. Although the country office undertook an operational review that examined the risks associated with in-kind modified group distributions, there is a need to reassess the residual risks including mitigation actions and formalize risk acceptance.



8. The audit noted gaps in the transporter assessment and due diligence process including some transporters not assessed and their registered offices not validated as well as the lack of a standardized vendor assessment mission approach. Further, while the country office's fraud risk assessment highlighted a fraud risk related to exploiting conflicts of interest for personal gain and within the context of subcontracting by the main contracted transporters, there are no compensating detective controls in place to reduce the risk to an acceptable level.

9. The country office had yet to define a country-specific risk appetite framework in line with WFP's corporate risk appetite statement to guide operational decisions with due consideration for risk impact and the cost of control. With the increased focus on streamlined high-rated risks in the mid-year 2023 risk register along with the residual risks noted by the audit, defined risk appetite statements would guide the country office's risk-taking approaches, risk indicators, and metrics as well as risk tolerance levels to help management make informed decisions.

10. Despite strategic directions in both the old and the new country strategic plans to enhance unrestricted cash programming and support the expansion of beneficiary financial inclusion in remote areas, only a marginal proportion of unrestricted cash was deployed in the audit period. Acknowledging the country office's efforts in conducting corporate cross-functional assessments for modality selection, there is a need to consolidate these assessments to guide the choice of optimal operational modalities and delivery mechanisms for each activity and geographic zone. Furthermore, some donors emphasized the necessity for greater transparency of the results of feasibility studies on modality choice, expressing their readiness to support WFP in addressing issues and transitioning towards unrestricted cash delivery mechanisms.

### **Actions agreed**

11. The audit report contains two high-medium and seven medium-priority observations. Management has agreed to address the reported observations and to implement the agreed actions by their respective due dates.

### **Thank you!**

12. 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

### Nigeria

13. Nigeria is a lower-middle-income country in West Africa. It is the seventh most populated nation in the world with an estimated population of 216 million as of 2023. Nigeria ranked 163 out of 191 countries in the 2021<sup>1</sup> human development index and ranked 150 out of 180 countries in the 2022 Transparency International Corruption Perception Index.<sup>2</sup>

14. Nigeria continues to face food security and nutrition challenges, and undernourishment. Food insecurity is rising partly owing to low agricultural production, inadequate policy choices and persistent conflict and population displacement, exacerbated by insufficient social protection coverage which supports only 13 percent of Nigerians.

15. The COVID-19 pandemic, global food supply chain disruptions associated with the Ukraine crisis, protracted conflict, and insecurity due to armed conflict and crime increased food and fuel prices. The high inflation continues to erode household purchasing power, leading to reduced food consumption and negative coping strategies that make it difficult for communities to recover from shocks.

### WFP operations in Nigeria

16. WFP operations in Nigeria are guided by the new country strategic plan covering the period from 1 March 2023 to 31 December 2027 with five fully integrated outcomes. The strategic plan underscores the importance of interrelated and systemic programming in support of collective efforts to achieve long-term national goals. It consolidates WFP's role as a technical partner of choice that delivers and enables results through government programmes and augments those programmes when needs exceed national response capacities.

17. WFP is working jointly through the Nigeria United Nations country team and guided by the United Nations sustainable development cooperation framework for Nigeria for 2023–2027. It has aligned its programmatic approaches with national priorities and government systems, advocating the implementation of scalable, evidence-based approaches to addressing the root causes of Nigeria's entrenched food security and nutrition challenges.

18. The country office has about 340 staff, divided between the Abuja head office and the Maiduguri area office covering one sub-office and around 775 final delivery points. In 2022, WFP delivered assistance mostly through strategic outcome 1 – unconditional food assistance and income-generating activities to food-insecure internally displaced persons, returnees, refugees and host communities affected by crises (activity 1) and malnutrition treatment activities to children 6-59 months of age and pregnant and nursing mothers (activity 2). This represented 85 percent of the country office's total direct operational costs.

### Objective and scope of the audit

19. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal controls related to WFP operations in Nigeria. Such audits are part of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

20. The audit focused on activities 1 and 2 under strategic outcome 1: *Food-insecure internally displaced persons, refugees, returnees and host community members in crisis-prone and conflict-affected areas of Nigeria have access to adequate nutritious food and early recovery activities that meet their immediate food needs and live in cohesive households and communities, during and after shocks*; and activity 4 under strategic outcome 3: *By 2027, targeted vulnerable households and smallholder farmers in Nigeria have improved sustainable livelihoods and enhanced social cohesion derived from food systems that are resilient to shocks and thus facilitate enhanced access to nutritious diets all year round*, which accounted for 86 percent of the country office's total direct operational costs and 99 percent of the beneficiary caseload in 2022.

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<sup>1</sup> [UNDP Human Development Report 2021/2020](#)

<sup>2</sup> [Transparency International's Corruption Perceptions Index 2022](#)

- *Activity 1 – Provide food assistance and an integrated package of gender-transformative malnutrition prevention alongside social and behaviour change communication, asset-creation, skills development and complementary livelihood activities to crisis-affected, food-insecure internally displaced persons, returnees, refugees, host communities and nutritionally vulnerable groups (including children 6-23 months of age and pregnant and nursing mothers);*
- *Activity 2 – Provide malnutrition treatment activities, alongside gender-transformative social and behaviour change communication, to children 6-59 months of age and pregnant and nursing mothers;*
- *Activity 4 – Provide an integrated package of nutrition and climate adaptive livelihood activities to vulnerable households, especially those with nutritionally vulnerable groups (children 6-23 months of age, pregnant and nursing women, adolescent girls and people living with HIV), to improve diets.*

21. Since the audit period covers both the old and new country strategic plans, certain figures and narratives in this report are specifically referenced to the operational results of the old plan (which were officially reported in the 2022 Annual Country Report) for better context when compared to the activities of the new plan.

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

23. To minimize duplication of efforts and leverage the assurance work of the second and third lines, the audit partially relied on the oversight missions from the Regional Bureau for Western Africa (hereinafter referred to as “the regional bureau”) and the external audit. Hence, the scope of this audit did not include strategic planning and performance, budget and programming, finance and accounting, human resources, management services, and information and communications technology, due to the oversight reviews conducted by the regional bureau in 2022 and 2023, and the areas covered by the external auditors during their in-country fieldwork in October 2023.

24. As a result, the six areas in scope for this audit include: (a) risk management and management oversight; (b) programme design and implementation; (c) identity management (formerly called “beneficiary management”) and digital solutions; (d) supply chain (including procurement and logistics management); (e) monitoring; and (f) accountability to affected population. The audit also carried out tailored reviews of cash-based transfers, non-governmental organization management, donor engagement and contribution management, humanitarian access management, and gender and diversity.

**Figure 1: Areas fully covered by the audit**



25. The audit mission took place from 16 October to 3 November 2023 at the country office in Abuja and included a visit to the Maiduguri area office.

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



## III. Results of the audit

### Audit work and conclusions

27. Nine observations resulted from the audit, relating to risk management and management oversight, identity management, cash-based transfers, supply chain, and monitoring.

### Risk management and management oversight

#### *WFP Reassurance Plan*

28. In April 2023, the Deputy Executive Director launched a high-level global assurance project task force activating the whole organization to put “end-to-end” assurance and internal control measures in place across all high-risk operations.<sup>3</sup> As a result, the WFP Reassurance Plan was rolled out in the third quarter of 2023, which includes clarifying accountabilities where necessary, strengthening systems, streamlining processes and making sure that country offices are getting the advice and support that they need.

29. In line with this corporate initiative, country offices classified as “high-risk operations” including WFP operations in Nigeria are required to complete key deliverables including a costed reassurance action plan<sup>4</sup> by the end of 2023. The action plan describes the specific actions that the country office will take so it will meet the global standards and have the minimum measures in place by the end of 2024. At the time of the audit reporting, the country office was working closely with the regional bureau to finalize the costed reassurance action plan.

30. In March 2023, the Nigeria country office, with the support of the regional bureau issued a report setting out the key results of its fraud risk assessment (conducted in September 2022) covering: (a) cash-based transfers; (b) supply chain including procurement and logistics; and (c) cooperating partner management processes. Comparing the 2022 risk register with that of mid-year 2023, the number of risks listed decreased from 27 to 13 showing an increased focus on material risks – high-rated risks in the mid-year 2023 risk register represented 77 percent from 55 percent in 2022.

#### *Positive practice: Implementation review*

31. In late 2022, the country office management launched an implementation review ahead of the new country strategic plan roll-out aimed to: (a) ensure that the country office operational and implementation structures and processes are optimally positioned to deliver high quality results in the line with the second generation country strategic plan; (b) identify operational strengths, weaknesses, and lessons learned; and (c) articulate practical actions to enhance good practices and address gaps in key operational areas. The review covers all country office functional units (not just operations) and field offices increasing the visibility of action points and enhancements being implemented as well as cross-functional coordination.

32. As part of the implementation review, an actions matrix was developed identifying issues, action points with implementation timeline and responsible units. The actions matrix is intended to be a living document – a single, comprehensive, harmonized and holistic repository of action points related to the review. At the time of the audit mission, the country office had: (a) reviewed the actions initially developed during the country office retreat held in March 2023; and (b) developed the draft terms of reference of the implementation review task team, the secretariat of the review under the leadership of the deputy country director for operations.

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<sup>3</sup> To identify these operations, WFP analyzed operational data from the Corporate Alert System, country risk profiles, internal audit reports, monitoring information, and other historical data. Thirty-one (31) operations including Nigeria were identified, along with some common challenges: access impediments, the number and capacity of cooperating partners, monitoring challenges, data protection and identity management constraints, systems integration and connectivity issues.

<sup>4</sup> The plan is organized into five main workstreams: monitoring and community feedback mechanisms, targeting, identity management, cooperating partner management and supply chain. It also includes cross-cutting areas in digital solutions and risk management.



## Observation 1: Risk appetite, reporting and mitigation

### *Risk management and risk appetite*

33. The country office had yet to define a country-specific risk appetite framework in line with WFP's corporate risk appetite statement<sup>5</sup> to guide operational decisions with due consideration for risk impact and the cost of control. With the increased focus on streamlined high-rated risks in the mid-year 2023 risk register along with the residual risks noted in this report partly driven by the country context, defined risk appetite statements would guide the country office's risk-taking approaches, risk indicators, and metrics as well as risk tolerance levels to help management make informed decisions.

34. The quarterly risk reports<sup>6</sup> presented the high-rated risks (with overall ratings from 16 to 20) together with the mitigation actions from the risk register for close monitoring. There were four high-rated risks (with an overall rating of 15) from the mid-year 2023 risk register that were excluded in the second quarterly risk report and that should have been discussed by the Risk and Oversight Committee. In addition, it was not clear how the mitigation actions from the previous quarter were reviewed, validated, and closed. Management discussions of risks (and whether the actions were effectively mitigating/reducing them) were not comprehensively documented and there was no central repository for evidence of implementation of actions. Lastly, there were no indications that the 2023 quarterly risk reports were approved by the country director in line with corporate guidelines.

35. The country office risk management unit is not actively involved as an independent validator of the implementation review actions and as a facilitator in the discussion of country office risks to the actions. An independent validation will provide an additional level of assurance to the country office management that certain critical actions designed to mitigate risks have been fully implemented and operating. There is an opportunity to fine-tune the terms of reference of the implementation review task team to define the role and responsibilities of the risk management unit.

36. WFP operations in Nigeria are concentrated in the north-eastern part of the country which is overseen by the area office in Maiduguri. Although the risk management unit at the country office works closely with the area office, it did not have a dedicated risk officer based in the area office to regularly work with process owners and functional units throughout the risk management lifecycle (risk identification, assessment, mitigation, monitoring feeding back to risk identification). Based on the country office's assessment, a risk consultant based in the head office was recently hired to reinforce the unit and will be undertaking frequent support and oversight missions to area and sub-offices.

### *Oversight and monitoring of recommendations from missions*

37. Various oversight missions from the regional bureau and from the country office to field offices were carried out from 2022 to 2023. These missions raised various recommendations addressed to multiple units and in some cases, to specific field offices. Important recommendations were raised, for example, in the following oversight/technical support missions from the regional bureau: (a) cross-functional cash-based transfer mission in March 2022; (b) risk management unit technical support mission in June 2023; and (c) Deputy Regional Director's (Enabling Services) mission to Nigeria in August 2023.

38. The follow-up process of oversight recommendations is decentralized to the functional units for implementation and tracking. There is no centralized process in place to: (i) prioritize implementation of recommendations from management oversight missions; (ii) systematically monitor and track the implementation of recommendations; and (iii) escalate implementation issues to the country office management and/or regional bureau especially when these recommendations cannot be fully implemented. Further, it was not clear how the findings and recommendations from oversight missions link or feed into the update of the implementation review action matrix.

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<sup>5</sup> WFP risk appetite statements [https://executiveboard.wfp.org/document\\_download/WFP-0000099395](https://executiveboard.wfp.org/document_download/WFP-0000099395)

<sup>6</sup> The country office risk management unit prepared quarterly risk reports, which were discussed by the Risk and Oversight Committee once drafted.





Underlying causes: Evolving country office risk management processes including risk reporting and escalation; risk management perspective not initially considered in carrying out actions related to the implementation review; results of functional oversight missions discussed and followed up by the respective units but tracking of implementation status may not be followed through due to other priorities of the units; and staff turnover and capacity issues.

#### **Agreed Actions** [Medium priority]

The country office will:

- (i) Define a risk appetite statement (in line with the provisions of the Risk Management Division Policy) to help drive risk priorities and guide decision-making.
- (ii) Enhance the quarterly risk reporting by: (a) including all high-rated risks and their mitigation actions; (b) presenting the movements of the mitigation actions, whether they were reviewed, validated and closed; (c) comprehensively documenting management discussions of risks and mitigation actions; and (d) obtaining the country director's approval on the final report.
- (iii) Actively involve the Risk Management unit as a validator of the implementation status of action points and as a facilitator in assessing country office risks linked to the implementation review actions.
- (iv) Develop a mechanism to facilitate prioritization (based on criticality for example), consolidation, tracking and escalation of oversight recommendations, including defining clear roles and responsibilities with accountabilities on the follow-up and closure process of oversight recommendations.
- (v) Establish a process to centrally align oversight recommendations with risk mitigation actions and action points from the implementation review to avoid duplication of work and streamline the follow-up process.

#### **Timeline for implementation**

31 December 2024



## Identity management

39. The country office assisted 1.8 million beneficiaries in 2022, of whom 1.2 million (67 percent) were Nigerian nationals, 531,379 (30 percent) were internally displaced persons (IDPs) and 58,285 (3 percent) were returnees and refugees.

### *Lean season scale-up response*

40. Every year, the country office scales up its food assistance in response to the lean season, specifically in the northeast from April to September when food security indicators decline. It then scales down, further prioritizing and reducing the number of beneficiaries in October when the food security indicators improve. The country office's targeting process included geographical and community-based, household-level targeting.

### *Positive practices*

41. The country office's community feedback mechanism information management system included the corporate customer relationship management solution (SugarCRM) and data collection tool (MoDA) where feedback data was managed in a consolidated database. The country office was selected as a pilot country to develop a dashboard using the corporate data visualization tool to support analysis, reporting and feedback tracking.

42. The operational context in Nigeria is characterized by the cross-border movement of refugees and internally displaced persons across the Nigerian and Cameroonian borders. In July 2023, WFP Cameroon's management visited Nigeria to capture lessons learned and digitalization best practices that could be applied in Cameroon to achieve digital transformation goals. The two country offices agreed on monthly meetings to discuss topics of common interest and systematically implement biometrics in their projects.

43. The audit tested the main controls in the beneficiary management process, including design, delivery, assurance mechanisms, support systems, security and privacy aspects. Overall, key controls over targeting, prioritization, verification and third-party management were established and operating effectively.

## Observation 2: In-kind assistance digitization

44. The country office piloted the use of SCOPE<sup>7</sup> for in-kind beneficiaries in 2021, developed a plan to digitize in-kind assistance distributions and is currently working with the regional bureau to adjust the SCOPE platform settings to support in-kind assistance distribution reconciliation and accurate reporting of food commodity entitlements at the household level.

45. In 2022, the country office distributed in-kind assistance to 848,553 beneficiaries. In April 2023, the country office digitized in-kind assistance distributions in the SCOPE platform with an initial beneficiary caseload of 81,835, subsequently increasing to a beneficiary caseload of 201,101 in October 2023. At the time of the audit mission, marginal in-kind beneficiaries were assisted through the SCOPE digital platform during the lean season scale-up period.

46. From April to September 2023, the country office had an average in-kind assistance beneficiary caseload of 556,418 that received food assistance outside the SCOPE platform. The use of manual distribution processes limited automated distribution reconciliation, data analysis and anomaly detection to support proactive follow-up and targeting of monitoring efforts to focus on anomalies.

47. The country office through its implementation review planned to establish a link between all unconditional resource transfers and the digital identities of beneficiaries in the SCOPE platform to ensure cash-based transfers and in-kind assistance distributions are carried out through the SCOPE platform. During the audit mission, the country office planned an after-action review of the lean-season response to document and share the lessons learned and best practices from the lean-season response.

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<sup>7</sup> SCOPE is WFP's beneficiary information and transfer management platform.



Underlying causes: Country strategic plan launch and non-governmental organization field level agreement contracting delayed the planning process to operationalize the in-kind assistance distribution digitization before the lean season scale-up response; and limited availability of distribution management equipment (mobile point of sale, receipt printers, payment instruments<sup>8</sup> and payment instrument printers).

#### **Agreed Actions** [Medium priority]

The country office will develop an implementation plan to digitize distribution of the remaining in-kind beneficiaries detailing the key elements to systematically guide and implement project activities and facilitate stakeholder communication: (a) geographical analysis of beneficiary caseload registered in the beneficiary information and transfer management platform and in possession of active payment instruments; (b) prioritized geographical areas based on the cadre harmonisé;<sup>9</sup> (c) budget and resourcing; (d) timeline; and (e) assumptions and implementation risks.

#### **Timeline for implementation**

30 June 2024

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<sup>8</sup> Payment instruments are issued to and used by beneficiaries to access entitlements.

<sup>9</sup> The cadre harmonisé is a unifying tool that helps to produce relevant, consensual, rigorous and transparent analyses of current and projected food and nutrition situations. Similar to the integrated food security phase classification, the cadre harmonisé relies on existing food security and nutrition information systems already in place in most Sahel countries since 1985, and in other coastal countries of West Africa. The cadre harmonisé results for Nigeria are released twice a year in March and October.



## Cash-based transfers

48. In 2022, the country office distributed USD 83.3 million in cash-based transfers, of which USD 80.7 million (97 percent) were in value vouchers (e-vouchers), restricted to a predefined list of commodities, and USD 2.6 million (three percent) were in unrestricted cash.<sup>10</sup> Cash-based transfers represented 53 percent of WFP assistance to beneficiaries in Nigeria, distributed to 956,112 beneficiaries. E-voucher interventions were implemented using the SCOPE digital platform. No unrestricted cash distributions were carried out during the audit period for the crisis response activities.

49. The audit performed tests of key controls in cash-based transfers processes and systems, focusing on governance, design and set-up. This audit did not test controls related to cash-based transfers delivery, including distribution cycle reconciliations and closure.

50. The country office cash working group has been established and is operational. In 2022, the regional bureau conducted a thorough oversight review of the country office cash-based transfer operations.

### Observation 3: Cash-based transfer set-up

#### *Transfer modality selection*

51. Despite the strategic directions in both the old and the new country strategic plans (2018-2022 and 2023-2027) to enhance, where possible, unrestricted cash programming and support the expansion of beneficiary financial inclusion in remote areas, only a marginal proportion of unrestricted cash was deployed in the audit period.

52. Acknowledging the country office's efforts in conducting corporate cross-functional assessments for modality selection, the challenge was consolidating these assessments to guide the choice of optimal operational modalities and delivery mechanisms for each programme activity and geographic zone. This challenge is consistent with the recommendation outlined in the oversight mission report issued by the regional bureau in September 2022. Furthermore, some donors emphasized the necessity for greater transparency of the results of feasibility studies on modality choice, expressing their readiness to support WFP in addressing issues and transitioning towards unrestricted cash delivery mechanisms.

53. At the time of the audit mission, the country office was planning to obtain expertise for a comprehensive study on the impact of various transfer modalities, such as unrestricted cash, e-vouchers, and in-kind distributions on food systems in Nigeria. The country office expects anticipated results from this study by the end of 2024.

#### *Financial service provider selection and contracting*

54. Three contracts with two financial service providers initially signed in 2018 and 2020 had multiple extensions, some of which were delayed resulting in periods during which the country office operated without a contract. Additionally, certain addendums to the contract were issued to implement alterations to transfer delivery mechanisms, bypassing the competitive procurement process. The contract with one financial service provider was extended for two additional years beyond the maximum duration of three years. Since the end of 2022, the country office had no contract with any financial service provider, which resulted in missed opportunities to distribute unrestricted cash.

55. The procurement and contracting process for the financial service providers, which commenced at the end of 2021, was still underway at the time of the audit, extending nearly two years. The contracting process involved six transfer mechanisms with three financial service providers, including two bank accounts, two pre-paid cards, and two mobile money options. The audit is concerned about the prolonged use of WFP resources without: (a) a clear strategy for modality and delivery mechanism selection; and (b) a comprehensive analysis of cash-based transfer related risks and mitigation actions.

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<sup>10</sup> 2022 Nigeria Annual Country Report - [Link](#)



### Payment instrument management

56. In 2022, the country office deployed the Payment Instrument Tracker tool for bank pre-paid cards, facilitating the identification of anomalies and prompting corrective actions. Additionally, in collaboration with the headquarters' cash-based transfers division, the country office was in the process of replacing the existing manual SCOPE card tracking with the same tracker tool which aims to establish a thorough custodianship tracking from the initial stages to the final delivery of SCOPE cards to beneficiaries. The automated process had not been fully implemented at the time of the audit mission, with the country office still relying on the manual process.

**Underlying causes:** Lack of a strategy on modality choice and cash-based transfer delivery mechanisms coupled with the strategic shift introduced by the country office management; closure of camps for internally displaced people in urban areas where unrestricted cash distributions took place; external contextual factors such as the Nigerian Central Bank's cashless policy introduced in 2023, Nigerian naira's devaluation, and a significant increase in inflation; and one financial service provider's way of delivering mobile money has changed from mobile money to mobile banking.

#### Agreed Actions [Medium priority]

The country office will:

- (i) Formulate a risk-based strategy on the modality choice and delivery mechanism by programme activity and geographic location, considering Nigeria's operational challenges and cost efficiency.
- (ii) Develop a risk register focused on cash-based transfers, including mitigation actions to inform decisions on choosing the transfer modality and mechanisms.
- (iii) Strengthen the financial service provider contracting process, giving priority to finalizing contracts based on an improved feasibility study on modality and transfer mechanism choices.
- (iv) Complete the implementation of payment instrument tracking for SCOPE cards.

#### Timeline for implementation

31 December 2024

### Observation 4: Retailer price monitoring

57. Commodity price monitoring activities gained prominence in 2023 due to the sharp increase in fuel and commodity prices, funding issues, and complaints from beneficiaries. The Research, Assessment and Monitoring (RAM) unit issues market monitoring bulletins<sup>11</sup> (including price monitoring of commodities included in the survival minimum expenditure basket) to generate data, understand market functionalities and inform cash-based interventions.

58. In June 2023, the country office Supply Chain cash-based transfer unit started using Retailer Performance Monitoring and Evaluation (RPME) dashboard to measure retailer performance against five areas: price, assortment and availability, food safety and quality, service, and operational compliance. This dashboard generates information from the data collected by the RAM unit using their data collection tool. Since the adoption of the dashboard, the Supply Chain cash-based transfer unit has discontinued the collection of retailers' commodity prices.

<sup>11</sup> Borno, Adamawa and Yobe States Market Monitoring. From the sampled bulletins in 2023, WFP partners monitored 32 to 47 markets across 17 to 26 local government areas.



59. From the sampled retailers visited by the audit, it was noted that the dashboard did not contain detailed commodity prices sold by the retailers. It was not clear how RAM unit's market-level price monitoring flowed and matched with the prices at the level of the contracted retailers. The country office Fraud Risk Assessment (see paragraph 30) identified "commodity price fixing"<sup>12</sup> as one of the fraud risks in the cash-based transfer operations and the country office identified the use of the dashboard as one of the mitigation actions. However, the lack of detailed commodity prices as the basis of retailer price monitoring raises concern over the effectiveness of the dashboard in addressing the fraud risk.

60. The country office indicated that there was a technical issue affecting the interface between the RAM unit's database and the dashboard which had already been escalated to the regional bureau. The audit noted opportunities to: (a) clearly define the roles and responsibilities and expectations of both units, considering the differences in their price monitoring methodology; (b) understand the functionalities of the dashboard to reflect detailed retailer commodity prices and leverage on the data to analyse trends, movements and outliers; and (c) documentation and reporting of Supply Chain cash-based transfer unit's review of retailers' commodity prices against prevailing market prices.

Underlying causes: Adoption of a new monitoring dashboard for retailer commodity prices changing existing workflows; and lack of understanding of the dashboard's functionalities including data analytical capabilities and reporting.

#### **Agreed Actions** [Medium priority]

The country office will:

- (i) Define roles, responsibilities and expectations for the units involved in price monitoring activities (RAM, Supply Chain and Programme).
- (ii) Review the detailed commodity price data from the Retailer Performance Monitoring and Evaluation (RPME) dashboard and assess how these can support Supply Chain cash-based transfer unit's retailer price monitoring.
- (iii) Establish a process to document the Supply Chain cash-based transfer unit's periodic reviews of retailer commodity prices and report the results to management.

#### **Timeline for implementation**

30 June 2024

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<sup>12</sup> Fraud risk description: Retailers may collude and increase commodity prices to levels higher than the prevailing market prices.



## Supply chain (including procurement and logistics)

61. The Supply Chain unit in the Nigeria country office includes mainly procurement and logistics functions. The audit assessed supply chain main controls.

### Procurement

62. In the audit period, food procured by the country office amounted to USD 132.2 million, while goods and services procurement amounted to USD 8.9 million.<sup>13</sup> At the end of 2021, the country office undertook a substantial exercise to update the roster for both food and goods and services procurement, with the aim of expanding the vendor lists, followed by subsequent market assessments undertaken and expressions of interest launched in 2022 across various purchase categories.

63. The Nigerian government has subsidized fuel and fixed retail prices of petroleum products for decades, with several attempts to reform or remove the subsidy at various points in time. In November 2021, the federal government announced its plan to remove the fuel subsidy and replace it with a monthly transport grant for poor Nigerians. The removal of the fuel subsidy in May 2023 impacted prevailing market prices and transport contracts.

### Observation 5: Procurement

#### *Food procurement strategy*

64. The country office identified and set the directions for food procurement in 2023. Recognizing the complexity of challenges and opportunities within Nigeria's context and with 95 percent of the procured food sourced locally, the audit highlights the need for a comprehensive food procurement strategy. A well-defined food procurement strategy would enable the country office to respond effectively to dynamic external factors, such as inflation, governmental policies, and market dynamics, as well as consider the country office's funding constraints and logistical challenges.

#### *Contract management and mini-bid process*

65. During the audit period, two food suppliers did not fulfil contract requirements. In the absence of a performance bond, WFP did not secure financial recourse, leading to the suspension of the suppliers for one year. The audit also noted contextual challenges, including WFP not being a significant food purchaser in some segments of Nigeria's food market and challenges in obtaining the performance bond.

66. Before 2023, the country office held two long-term agreements for fuel. One long-term agreement was signed in 2018 for a duration of one year, and the contract underwent five extensions. The procurement process was waived twice, in 2021 and 2022, and there was post-factum delivery due to the unavailability of funds during migration from the old to the new country strategic plan. In 2023, the country office underwent a procurement process that selected several fuel providers.

67. The country office used the mini-bid instrument<sup>14</sup> in 2023 for fuel procurement through the three existing long-term agreements due to price volatility. The absence of a formal mechanism to monitor fuel market prices hindered the ability to compare with bids submitted during the mini-bid process.

Underlying causes: Strategy development needs have not been identified; and WFP not a significant player in some food market segments in Nigeria.

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<sup>13</sup> Excluding transport purchase orders and micro purchase orders

<sup>14</sup> Secondary bidding under several long-term agreements with the aim of obtaining better prices.



### Agreed Actions [Medium priority]

The country office will:

- (i) Develop a comprehensive food procurement strategy that considers contextual challenges and opportunities and incorporates planning, sourcing delivery, and other aspects influencing food procurement in Nigeria.
- (ii) Enhance vendor compliance in submitting performance bonds and assess financial exposures and operational implications to WFP if vendors default on their contractual obligations.
- (iii) Establish a formal mechanism to consistently analyze and monitor fuel market prices.

### Timeline for implementation

30 June 2024

## Logistics

68. Every year, the country office reviews its shortlist of logistic services providers by publishing an Expression of Interest to assess and include the most qualified and financially capable service providers in the roster.<sup>15</sup> All currently contracted logistic services providers have been contracted through a combination of competitive single contractor award and tariff system contracts.<sup>16</sup> The continued rise in the national inflation rate has persistently impacted the cost of services, evident in the steady increase in the awarded rates for logistics services from 2020 to 2022.

### Observation 6: Transporter due diligence and sub-contracting

#### *Transporter assessment and due diligence*

69. The country office conducts on-site visits to transporters, expressing interest to do business with WFP, to: (a) verify their capacity and compliance with incorporation and other regulatory documents; (b) confirm representations made; and (c) validate the existence of their registered offices. The results of this due diligence process inform the preparation of a shortlist which is valid for one year.

70. The last vendor assessment and due diligence, carried out by the country office from October to November 2022, involved 65 logistic services providers (including transporters) covering four operational areas.<sup>17</sup> There is a need to standardize vendor assessment mission approach and documentation as two (of four) mission reports did not include final assessments of whether the transporters were recommended for contracting.

71. In February 2023, the country office completed the contracting process of secondary transportation contracts following a shortlisting process. The Logistics Contracting Committee endorsed the issuance of transportation contracts to 51 successful bidders covering three areas – Damaturu, Kano and Maiduguri. The audit verified 21 (of the 51 contracted transporters) whether they were included in the last vendor assessment and due diligence conducted in 2022. The following gaps were noted: (i) four contracted transporters were not assessed and visited; and (ii) two transporters were contracted even if they did not respond to the request for office address – this should have been a red flag considering that the legitimacy of these companies has not been established.

<sup>15</sup> Logistics Services Market Assessment – Nigeria (February 2023).

<sup>16</sup> Tariff system contracting is considered exceptional and establishes a general rate, or tariff, that is proposed to shortlisted service providers. All shortlisted service providers that accept the tariff are then paid the same rate for the volumes awarded to them.

<sup>17</sup> Abuja, Kano, Maiduguri and Lagos. Vendor assessment mission reports were available and reviewed by the audit.





72. The country office indicated that these transporters had been previously contracted and had good performance evaluations, a strong reference basis in renewing contracts. Although this supports the transporters' capacity to deliver, it does not support their legitimate existence. At the time of the audit mission, no transporter assessment and due diligence was carried out for 2023 although one was planned for January 2024 in line with the next transporter contracting cycle which was expected to be completed in February 2024. At the time of the audit report finalization, the country office had completed a vendor assessment (dated January 2024) covering the transporters noted with gaps and found no exceptions in their assessment.

#### *Sub-contracting of transporters*

73. The transportation business in Nigeria comprises both companies that own trucks and truck brokers. WFP's shortlist of transporters includes companies that own trucks. However, due to WFP's high tonnage requirement, subcontracting from the open market is a common practice to fulfil the transporters' contractual obligations with WFP. The main and sub-contracted transporters work on trust with no documented frameworks. The responsibility and accountability for subcontracted entities rest with the contracted firms.

74. WFP's Request for Quotations to transporters includes a section on subcontracting highlighting that the main transporter: (a) has sole and full responsibility for all services and obligations performed by the sub-contracted transporters; and (b) should ensure that all its subcontractors are checked and cleared against the latest available Consolidated United Nations Security Council Sanctions List.

75. Although the historical satisfactory performance is one of the main criteria considered by the country office in renewing the contracts with existing transporters coupled with the subcontracting provision mentioned above, these do not actively mitigate the fraud risk in this area as highlighted in the Fraud Risk Assessment (see paragraph 30): "Exploiting conflicts of interest for personal gain".<sup>18</sup> There are no compensating detective controls in place to reduce the risk to an acceptable level.

Underlying causes: Absence of a standard vendor assessment methodology and documentation detailing minimum requirements; satisfactory performance evaluation being a strong reference basis in renewing transporter contracts; subsequent vendor assessments do not include existing and active partners; and subcontracting as an industry norm in the Nigeria transport sector.

#### **Agreed Actions** [High priority]

The country office will:

- (i) Standardize vendor assessment mission approach and documentation to include: (a) existing and active partners and the results of their performance evaluations; and (b) a section in the mission report concluding whether the transporters reviewed and visited are recommended for contracting.
- (ii) Strengthen its review of shortlisted transporters by developing: (a) a checklist to ensure that all necessary assessments and due diligence checks are completed before the shortlist is finalized; (b) a process requiring the head of the Supply Chain unit to approve shortlisted transporters with exceptions noted during the vendor assessment and due diligence process; and (c) a mechanism to report these exceptions to the Local Contracting Committee.
- (iii) Assess the cost and benefits of establishing detective controls to directly mitigate the fraud risk related to conflict of interest and formalize acceptance of residual risk.

#### **Timeline for implementation**

30 June 2024

<sup>18</sup> Fraud risk description: A WFP employee could fail to disclose a financial or familial interest in a vendor while participating in the award/management of a contract to the benefit of that entity.



## Observation 7: Transport allocation plans

76. The monthly transport allocation plan for tariff-based transport contracts was centrally developed at the country office in coordination with the field offices and approved by the head of the Supply Chain unit. The country office equally allocated its monthly metric tonnages required for transit to all contracted transporters. Once approved, no adjustments can be made to the plan unless due to contextual reasons shared with the country office and endorsed by the head of logistics. This approach was endorsed by the Logistics Contracting Committee and approved by the country director.

77. There were no standard operating procedures to guide the transport allocation plan. In addition, the following related issues were noted: (i) there were inaccuracies in the Excel spreadsheet (both in the metric tonnages and transporter rates sections)<sup>19</sup> used in the allocation process that were further explained by the country office; (ii) the transporters contracted for some routes did not receive equal metric ton allocations; and (iii) the reconciliation process between the transport allocation plan and the actual metric tons uplifted by the transporters at the end of each month was not straightforward. There is an opportunity to enhance existing tools used in this process and standardize its approach within the context of the Nigeria operations.

78. Considering the equal allocation approach for transport allocation, the audit noted variances between the transporters' committed capacity versus allocated capacity ranging from 5 to 20 percent. It was also noted that the Logistics Contracting Committee was not systematically reviewing the actual results of planned monthly transport allocations. In 2023, the country office introduced a report<sup>20</sup> analyzing planned versus actual allocations of the fourth quarter of 2022. However, there were no indications that regular reporting was operationalized and reviewed by the Logistics Contracting Committee.

Underlying causes: Some information used in the transport allocation not included or shown separately in the matrix although presented in the notes to the approved transport allocation plan; absence of standard operating procedures ensuring consistent and transparent allocation process for tariff-based contracts; and review of actual results of planned monthly allocations by the Logistics Contracting Committee not considered.

### Agreed Actions [Medium priority]

The country office will:

- (i) Develop standard operating procedures for the transport allocation process of tariff-based contracts from planning to reviewing the actual results. The procedures should include steps in dealing with exceptional transactions, such as when equal allocation is not possible; and in periodically reviewing plan versus actual allocations at the field/area offices and how they inform the country office quarterly evaluation reports.
- (ii) Strengthen its review of existing tools and spreadsheets supporting the transport allocation planning activities.
- (iii) Regularize the Local Contracting Committee's review of planned versus actual allocations discussing exceptions to the "equal allocation" rule and other matters.

### Timeline for implementation

30 June 2024

<sup>19</sup> The country office indicated that the differences in the total amounts were due to small (less than a truckload) unallocated tonnages, and the individual transporter rates did not include additional handling costs at the partner non-governmental organization locations.

<sup>20</sup> Evaluation Report for Q4 2022 Tariff System Allocation Plan Execution dated 6 June 2023.



## Monitoring

79. The country office RAM unit's functions include vulnerability analysis and mapping (VAM), monitoring and evaluation, and community feedback mechanism. The unit is headed by a RAM officer who reports directly to the deputy country director. According to the country office organizational structure, the monitoring function consists of 23 staff across the head, area and sub-offices. The country office contracted three third party monitors across the field offices to support programme monitoring in the hard-to-reach locations.

80. The regional bureau provided regular technical support to the country office. The country office was selected as the first pilot country office within the region to establish the corporate process monitoring issue escalation and tracking system.<sup>21</sup> In August 2023, a user acceptance test was completed, and the country office launched the SugarCRM process monitoring module in October 2023.

81. The country office used the corporate data collection tool (MoDA) and was setting up a remote monitoring verification system to fully implement multi-layered and comprehensive programme monitoring activities. The country office plans to operationalize its remote monitoring in 2024 to conduct monthly direct calls to selected beneficiaries verifying whether beneficiaries received their full entitlements according to the set processes and standards for food distribution.

82. The audit tested key controls in the monitoring cycle from risk-based monitoring, staffing and resourcing to monitoring plan coverage, reporting and follow-up of monitoring issues.

### Observation 8: Monitoring strategy and capacity assessment

#### *Monitoring strategy and standard operating procedures*

83. In September 2023, the country office developed a monitoring strategy to ensure monitoring activities are carried out in a well-planned, logical and systematic manner. An analysis of the monitoring strategy indicated that the monitoring vision and capacity assessment were needed to be included to highlight: (a) what is unique about the country office and its programmes; (b) the challenges and advantages of the country office's monitoring system; (c) the country office's aspirations to further strengthen its monitoring system; and (d) actions to assess and strengthen capacity to ensure the required human, financial and material resources are in place to operationalize effective monitoring.

84. The roles, responsibilities and monitoring system components of the monitoring strategy were fragmented and described in different standard operating procedures. The monitoring strategy did not refer to the different standard operating procedures to ensure a consolidated view of the full range of activities, reports, responsibilities, and procedures to establish a robust and integrated monitoring system.

#### *Monitoring capacity assessment*

85. In April 2023, the country office used the RAM capacity assessment tool to conduct a self-assessment and in August 2023, the country office used a different tool to develop an action plan to strengthen the monitoring system. The country office's RAM capacity assessment tool was not updated to include: (a) action points; (b) roles and responsibilities; (c) support required; and (d) timelines to enable regular follow-up capacity assessments throughout the country strategic plan cycle. It was unclear how the country office tracked actions to resolve third-party monitor resourcing challenges that affected monitoring coverage in 2022 and 2023 and the linkage to the risk-based monitoring approach operationalized in October 2023.

Underlying causes: Recent monitoring strategy and revision of standard operating procedures to align with the global reassurance plan; third-party monitors procurement strategy and advance planning insufficiently monitored for timely and efficient contracting; and absence of defined process and tools to assess and strengthen monitoring capacity of third-party monitors.

<sup>21</sup> Project goal: Roll out a corporate solution for process monitoring issue escalation aligned with community feedback mechanisms using SugarCRM to track findings in a timely manner and allow corrective actions to be taken feeding into a broader standardized country office-level system for informed programmatic decision-making.



### Agreed Actions [Medium priority]

The country office will:

- (i) Update the monitoring strategy to include: (a) monitoring vision; (b) capacity assessment; (c) an annex of the different standard operating procedures capturing the different components of the monitoring strategy.
- (ii) Establish periodic follow-up monitoring capacity assessments to ensure that the required human, financial and material resources are in place to operationalize effective monitoring.
- (iii) Strengthen its procurement strategy and advance planning to monitor and improve the timely management of third-party monitor contracts.

### Timeline for implementation

30 June 2024

## Observation 9: Monitoring coverage and in-kind modified group distributions

### *Monitoring coverage*

86. In 2022, the country office had a monitoring coverage of 85 percent, covering 652 (out of 761) active distribution sites through third-party monitors which monitored 598 distribution sites (92 percent) and WFP field monitors which monitored 54 active sites (8 percent). From January to June 2023, the country office had a monitoring coverage of 61 percent, covering 576 (out of 775) distribution sites through third-party monitors which monitored 68 percent of the active sites and WFP field monitors which monitored 32 percent.

87. The country office's target was to achieve a monthly monitoring coverage of 100 percent. The 2022 monitoring coverage of 85 percent was below the target due to security and logistical challenges, and delays in onboarding<sup>22</sup> the third-party monitors. In 2023, the monitoring coverage of 61 percent was below target due to: (a) a four-month programme monitoring interruption (from February to May), when the third-party monitors had either no contract or participated in onboarding training; and (b) insufficient data collection tools to support effective monitoring.

### *In-kind food assistance modified group distributions*

88. The country office implemented controls to identify the correct beneficiaries at the distribution sites in Mobbar and Kala Balge in Borno state. The country office subsequently used in-kind modified group distributions at the two secondary distribution sites<sup>23</sup> in the two local government areas to limit the risk of attack by non-state armed groups. As observed by the audit in Mobbar, WFP contracted non-governmental organizations carried out household food assistance eligibility checks<sup>24</sup> and biometric verifications.<sup>25</sup> After biometric verification, the households first grouped themselves to form 25 beneficiaries and subsequently into four groups of 25 beneficiaries (in the end, 100 beneficiaries were represented by four proxies at the claiming area) to complete the food distribution process.<sup>26</sup> The final step was susceptible to fraud and food diversion due

<sup>22</sup> Third-party monitor onboarding delays were attributed to additional training required to strengthen capacity to monitor resilience-building activities, updates to the resilience-building monitoring tools, and the third-party monitor's field-level agreement did not include resilience-building activity sites in Adamawa State.

<sup>23</sup> The secondary distribution sites are geographical sites where beneficiaries agree to re-distribute bulk entitlements received from WFP distribution sites.

<sup>24</sup> Assistance eligibility check was the first step, ensuring that the household was included in the distribution list.

<sup>25</sup> Biometric verification (via fingerprints) was the second step, ensuring that the correct household member was biometrically identified. Once verified, a receipt is printed containing the number of beneficiaries and the food ration for the household.

<sup>26</sup> The grouped rations were then loaded into small vehicles (paid for by the beneficiaries) and will be divided and distributed to the households in the community.



to the limited assurance that the household received the correct food entitlement at the secondary distribution site

89. In March 2023, the country office undertook an operational review that examined the risks associated with in-kind modified group distributions and identified the following measures to mitigate the risks: (a) clear and precise targeting; (b) beneficiary sensitization on their entitlements; (c) biometric authentication at redemption points; (d) extending distribution monitoring of selected group distributions at community levels through the third-party monitors; and (e) provision of toll-free community feedback mechanism and helpdesks.

90. In the two local government areas in Borno, the country office relied on expanded distribution monitoring as a detective control to identify issues and risks associated with in-kind modified group distributions at the secondary distribution sites. This included: (a) third-party monitor sampling and verification of quantities received at the household level by comparing them against the SCOPE printed receipt; (b) WFP field monitors oversight of the distribution process; and (c) focus group discussion with beneficiaries to obtain feedback. As a result of the third-party monitor resourcing challenges in 2023, the country office had a monitoring coverage of 13 percent for activity 1 (in-kind food assistance) in Borno State which limited the level of assurance that the households received the correct food entitlements, as well as the detection of any food misappropriation or diversion.

91. The country office's monitoring system allows the third-party and WFP field monitors to sample five households at each secondary distribution site and conduct focus group discussions and beneficiary interviews in Mobbar and Kala Balge local government areas. The country office indicated that focus group discussions were held but did not collect disaggregated information on these discussions at secondary distribution sites. An analysis of the beneficiary interviews at secondary distribution sites indicated the absence of a risk-based third-party monitor sampling methodology and inconsistent implementation of monthly beneficiary interviews.

Underlying causes: Limited utilization of monitoring information on third-party monitors, household sample coverage and focus group discussions associated with in-kind modified group distributions; and food storage limitations due to security risks associated with non-state armed groups looting warehouses.

#### **Agreed Actions** [High priority]

The country office will:

- (i) Develop a mechanism to systematically analyze and report on the sampling methodology, information obtained from sampled households and focus group discussions in geographical sites associated with in-kind modified group distributions to ensure adequate monitoring coverage.
- (ii) Reassess the residual risks associated with in-kind modified group distributions, including mitigation actions and formalize risk acceptance.
- (iii) Undertake donor sensitization and advocacy of the residual risks in the local government areas with in-kind modified group distributions.

#### **Timeline for implementation**

30 June 2024

## **Humanitarian access management**

92. Humanitarian access constraints include bureaucratic, institutional, logistical, and security challenges due to protracted conflict and insecurity in Northeast Nigeria. The country had a proactive approach and obtained the regional bureau's support through a humanitarian access support mission in April 2022. At the time of the audit mission, the country office implemented 12 of the 17 support mission recommendations, including operationalizing a cross-functional access cell in July 2023.



93. In June 2023, the country office accessed five<sup>27</sup> previously hard-to-reach local government areas and targeted affected populations in Northeast Nigeria for food and nutrition assistance.

94. The audit reviewed the country office's strategy, resources, and processes to manage constraints to humanitarian access. There were no reportable findings in this area.

## Gender and diversity

95. The country office's gender unit is headed by a gender officer who reports directly to the deputy country director. In May 2023, the country office developed a gender action plan to strengthen gender mainstreaming in its programmes and operations. The country office periodically printed and disseminated gender messages on the United Nations humanitarian air service flights to improve awareness of gender mainstreaming.

96. The country office allocated USD 54.4 million of the country portfolio budget (2023-2027) to gender-related activities. There is an ongoing corporate review of the gender-responsive budgeting process, expenditure tracking and gender indicators to guide country offices on a simplified and streamlined methodology.

97. The audit reviewed the country office's gender action plan, resources and processes to strengthen gender mainstreaming. There were no reportable findings in this area.

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<sup>27</sup> The local government areas include Askira Uba, Biu, Bayo and Chibok in Borno State and Nangere, a local government area in Yobe State.



## Annex A – Agreed action plan

The following table shows the categorization, ownership and due date agreed with the audit client for all observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

The agreed action plan is primarily at the country office level.

#	Observation (number/title)	Area	Owner	Priority	Timeline for implementation
1	Risk appetite, reporting and mitigation	Governance and risk management	Country office	Medium	31 December 2024
2	In-kind assistance digitization	Identity management	Country office	Medium	30 June 2024
3	Cash-based transfer set-up	Cash-based transfer	Country office	Medium	31 December 2024
4	Retailer price monitoring	Cash-based transfer	Country office	Medium	30 June 2024
5	Procurement	Supply chain	Country office	Medium	30 June 2024
6	Transporter due diligence and sub-contracting	Supply chain	Country office	High	30 June 2024
7	Transport allocation plans	Supply chain	Country office	Medium	30 June 2024
8	Monitoring strategy and capacity assessment	Monitoring	Country office	Medium	30 June 2024
9	Monitoring coverage and in-kind modified group distributions	Monitoring	Country office	High	30 June 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
<b>Effective/ satisfactory</b>	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.
<b>Some improvement needed</b>	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.  Issues 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.
<b>Major improvement needed</b>	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.
<b>Ineffective/ unsatisfactory</b>	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**

<b>High</b>	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
<b>Medium</b>	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.
<b>Low</b>	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: (a) observations that are specific to an office, unit or division; and (b) observations that may relate to a broader policy, process or corporate decision and may have a broad impact.<sup>28</sup>

### 3 Monitoring the implementation of agreed actions

The Office of Internal Audit tracks all medium-risk and high-risk observations. Implementation of agreed actions is verified through the corporate system for the monitoring of the implementation of agreed actions. The

<sup>28</sup> 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.





purpose of this monitoring system is to ensure that management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

The Office of Internal Audit monitors agreed actions from the date of issuance of the report, with regular reporting to senior management, the Independent Oversight Advisory Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by management, the Office of Internal Audit will issue a memorandum to management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, the Office of Internal Audit continues to ensure that the office in charge of the supervision of the unit which owns the actions is informed. Transparency on accepting the risk is essential and the Enterprise Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. The Office of Internal Audit informs senior management, the Independent Oversight Advisory Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



## Annex C – Acronyms

<b>CBT</b>	Cash-based transfer
<b>MoDA</b>	Corporate data collection tool
<b>RAM</b>	Research, Assessment and Monitoring
<b>SCOPE</b>	WFP's beneficiary information and transfer management platform
<b>SugarCRM</b>	Corporate customer relationship management solution
<b>USD</b>	United States dollar
<b>WFP</b>	World Food Programme