

SAVING
LIVES
CHANGING
LIVES

Internal Audit of WFP Operations in Afghanistan

Office of the Inspector General
Internal Audit Report AR/24/04



World Food
Programme

March 2024



Table of Contents

I.	Executive summary	3
II.	Country context and audit scope	5
III.	Results of the audit	7
	Audit work and conclusions	7
	Governance	7
	Observation 1: Risk management and management oversight	7
	Programme design and implementation	9
	Observation 2: Household targeting, prioritization and programme delivery	9
	Accountability to Affected Populations	12
	Observation 3: Community feedback mechanisms	12
	Identity management	14
	Observation 4: Identity management and data protection	14
	Cash-based transfers	17
	Observation 5: Cash-based transfers governance and set-up	17
	Observation 6: Cash-based transfer delivery and reconciliation	19
	Supply chain	21
	Observation 7: Logistics	21
	Non-governmental organization management	23
	Observation 8: Non-governmental organization management	23
	Monitoring	25
	Observation 9: Monitoring	25
	Humanitarian access and security	26
	Treasury and cash management	27
	Annex A – Agreed Action Plan	28
	Annex B – Definitions of audit terms: ratings and priority	29
	Annex C – Acronyms	31



I. Executive summary

WFP Afghanistan Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Afghanistan which focused on governance and risk management, programme design and implementation, beneficiary identity management, cash-based transfers, supply chain, non-governmental organization partnerships, monitoring, humanitarian access and security, and treasury and cash management. The audit covered the period from 1 August 2021 to 31 December 2022.
2. With six strategic outcomes, the 2018–2023 Country Strategic Plan positions WFP in Afghanistan to offer key support to achieve zero hunger by 2030 in a manner that contributes, wherever possible, to the broader, longer-term transition to peace and development in the country.
3. The budget for the five-year country strategic plan was USD 6.1 billion, as per the February 2023 budget revision. During the audit period and until March 2023, WFP's total operational costs amounted to approximately USD 2.8 billion, with the country office reaching more than 25 million beneficiaries.
4. The audit focused on strategic outcome 1: *Vulnerable people in Afghanistan are able to meet their food and nutrition needs during and immediately after emergencies through 2022* and reviewed the following activities under strategic outcome 1 (which accounted for 88 percent of the country office's total expenditure and 93 percent of the beneficiary caseload in 2022):
 - (i) *Activity 1 – Provide unconditional, nutrition-sensitive food assistance to vulnerable people.*
 - (ii) *Activity 9 – Provide nutrition-specific assistance to vulnerable women, boys, and girls to prevent and treat acute malnutrition.*

Audit conclusions and key results

5. 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 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 mitigated.

Areas of high priority

6. The risks identified related to targeting, identity management and cash-based transfers are critical to WFP achieving efficiency, effectiveness and operational assurance objectives in Afghanistan. The country office should prioritize mitigating actions in these areas in the context of declining funding, continuing high levels of food insecurity and the absence of reliable means to identify individuals in Afghanistan.

Immediate response and scale-up efforts (August 2021–August 2022)

7. Following the August 2021 crisis in Afghanistan, WFP declared a corporate scale-up in September 2021. Despite inherent challenges, such as interference by the de facto authorities and humanitarian access constraints, WFP scaled up its operations and reached 23 million people by December 2022, compared to 9 million in 2020. The organization's "no regret policy" allowed for a swift response, emphasizing continued presence, innovative logistics strategies and programmatic approaches. During the scale-up of operations, the country office's risk appetite was high and appropriate, given the high levels of food insecurity.
8. During the scale-up, the country office started to develop regular systems of governance, risk management and internal controls, including active participation in inter-agency risk management forums; formulation of standard operating procedures; increased use of biometric registrations; and preparations for a re-targeting exercise, among other initiatives.



Response post-scale-up

9. After the scale-up phase, the country office continued its efforts to regularize and mature its processes and internal controls and adjust its risk appetite. The country office started to streamline processes to transition to a more effective control environment, particularly for cash-based transfers, monitoring, and food quality and safety. However, at the time of the audit, management action was still required to mitigate operational risks; raise operational effectiveness and efficiency; and raise the level of operational assurance.

10. In maturing its targeting and programme delivery processes from the scale-up to the consolidation phase, the country office needed to establish a targeting and prioritization working group, ensure its data is centralized to allow analytics and data-driven retargeting, as well as more systematic validation for in-kind distribution and the recording of food losses.

11. Additional efforts were needed for consistent identity management, including beneficiary verification processes, deduplication of identities, and data protection and privacy through formalizing SOPs, processes and protocols.

12. While the country office was already adding preventive controls into the cash-based transfer processes, such as timely detection and management of conflicts of segregation of duties, CBT-specific risk and fraud risk assessments and oversight of financial service providers, full implementation needs to be effected. Enhancement of digital verification and automated reconciliations were also needed.

13. Other opportunities for improvement were noted in risk management, supply chain, management of non-governmental organization partnerships and community feedback mechanisms. The Office of Internal Audit identified no reportable issues in the areas of treasury management and humanitarian access and security, which had been identified as high inherent risk areas during the audit planning phase.

14. Since the completion of the audit procedures in mid-2023, the country office has made progress in mitigating the risks and areas of improvements identified by the audit, with some of the agreed actions presented in this report partly or fully implemented at the time of its issuance.

Contextual changes and ongoing challenges

15. The humanitarian crisis in Afghanistan continues, exacerbated by climate change, economic collapse and natural disasters. With millions facing acute food insecurity, the need for targeted interventions is critical. Operating conditions in Afghanistan, including fractured government interface mechanisms, absence of reliable forms of identification and a large number of food distribution points require special attention to ensure the country office's risk appetite and internal controls are carefully calibrated. This will help to achieve WFP's humanitarian mission and internal control objectives.

16. In alignment with United Nations principles of engagement, the Office of Internal Audit notes that WFP upholds humanitarian standards, ensures impartial assistance and protects the rights and dignity of affected populations.

Actions agreed

17. The audit report contains four high-priority and five medium-priority observations. Management has agreed to address the reported observations and to work to implement the agreed actions by their respective due dates.

THANK YOU!

18. 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

Afghanistan

16. Afghanistan has been affected by over four decades of conflict and remains one of the world's largest humanitarian crises, with over 28 million people in need of humanitarian assistance. In August 2021, de facto authorities took over control of the country, with a subsequent withdrawal of international forces. This was followed by an economic crisis characterized by high unemployment and a liquidity crisis that plunged millions more people into hunger and poverty. These conditions were compounded by extreme climate shocks, natural disasters and the effects of escalating global food and fuel prices.

17. Afghanistan's population is estimated to be 41.1 million. Prior to August 2021, the Integrated Food Security Phase Classification (IPC) analysis projected that by November 2021, 9.5 million people would experience high levels of acute food insecurity (IPC Phase 3 or above). In October 2021, the IPC projected that between November 2021 and March 2022 (the winter lean season) a further deterioration in food security, with the number of people in IPC Phase 3 or above likely increasing to 22.8 million, a nearly 35 percent increase from the same season in 2020 (16.9 million people). Out of 22.8 million people, 14 million were likely to be in Crisis (IPC Phase 3) and 8.7 million in Emergency (IPC Phase 4).¹

18. In response, beginning in September 2021, WFP scaled up its humanitarian operations to reach populations in need with emergency food, nutrition and livelihoods support. WFP increased its staff and partner base, establishing five new satellite offices to support its six existing field offices.

19. In line with WFP's emergency protocols, in August 2022, the emergency designation was changed from "corporate emergency" to "corporate attention".

WFP operations in Afghanistan

20. WFP's Country Strategic Plan 2018–2023 provides life-saving support to those who need it most, while continuing to support long-term community resilience and gender and education initiatives. The country strategic plan focused on six interconnected Strategic Outcomes – Strategic Outcome 1: Vulnerable people in Afghanistan are able to meet their food and nutrition needs during and immediately after emergencies through 2022; Strategic Outcome 2: Vulnerable people in Afghanistan are increasingly able to meet their food and nutrition needs on their own by 2022; Strategic Outcome 3: Vulnerable people at each stage of the life cycle in target areas have improved nutrition by 2022; Strategic Outcome 4: People throughout the country have a wide range of fortified, nutritious food products available to them at affordable prices by 2022; Strategic Outcome 5: National and subnational institutions have a strengthened policy approach to food security and nutrition by 2022; and Strategic Outcome 6: The humanitarian community has enhanced capacity to respond to needs throughout the country through 2022.

21. The country's strategic plan was initially budgeted at USD 717.0 million. By July 2021, the budget had increased to USD 1.5 billion through four budget revisions in order to transition to resilience activities while prioritizing the emergency needs of populations affected by hunger. After August 2021, the country office conducted budget revisions in January 2022 and November 2022 to scale up its assistance across all strategic outcomes and to extend the country strategic plan to 31 December 2023; the budget then increased to USD 6.1 billion.

22. In December 2022, the de facto authority placed certain conditions restricting the ability of women to work for non-governmental organizations (NGOs). In April 2023, some of these restrictions were extended to include Afghan women working in United Nations (UN) premises.

¹ Afghanistan: Acute Food Insecurity Situation September - October 2021 and Projection for November 2021 - March 2022, Integrated Food Security Phase Classification, October 2021.

Objective and scope of the audit

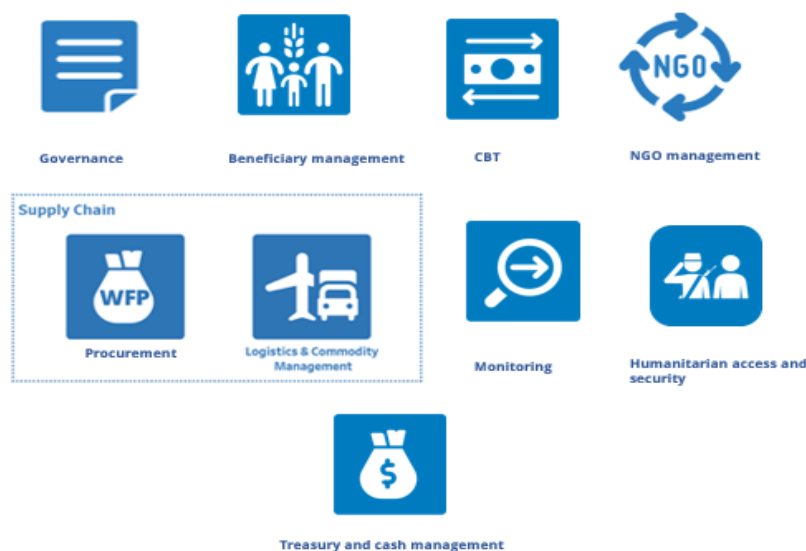
23. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to WFP operations in Afghanistan. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on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

24. The audit focused on Strategic Outcome 1: Vulnerable people in Afghanistan are able to meet their food and nutrition needs during and immediately after emergencies through 2022, which accounted for 88 percent of the country office's total expenditure and 93 percent of the beneficiary caseload in 2022.

- Activity 1 – Provide unconditional, nutrition-sensitive food assistance to vulnerable people.
- Activity 9 – Provide nutrition-specific assistance to vulnerable women, boys, and girls to prevent and treat acute malnutrition.

25. As a result of the risk assessment carried out during the audit planning phase, the ten areas in scope for the audit include (i) governance and risk management; (ii) programme design and implementation; (iii) beneficiary identity management; (iv) cash-based transfers (CBT); (v) NGO partnerships; (vi) supply chain; (vii) humanitarian access and security; (viii) monitoring; (ix) contributions management; and (x) treasury and cash management, as detailed in Figure 1 below.

Figure 1: Areas covered by the audit



26. The audit mission took place from 13 May to 9 June 2023 at the country office in Kabul, including a visit to the Herat and Mazaar area offices.

27. Reliance was placed on other assurance work to minimize duplication of effort, including a monitoring mission in October 2021 and a CBT mission in November 2022 conducted by the Regional Bureau of Asia and the Pacific. The audit reviewed the implementation status of the recommendations arising from these missions.

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



III. Results of the audit

Audit work and conclusions

29. The nine observations arising from the audit are presented below. They are grouped into sections corresponding to the functional areas covered (as described in [paragraph 25](#)). Any other issues arising from the audit that were assessed as low priority were discussed with the country office directly and are not reflected in the report.

Governance

30. The Office of Internal Audit performed tests and reviews, including organizational set-up for effective delivery; diversity, including gender; and country office management's ability to properly identify and analyse risks, including fraud risk, and implement mitigation actions to achieve operational objectives and perform effective oversight.

31. Since 2021, the country office has increased its female staff from 21 to 29 percent. At the time of the audit fieldwork, the country office was working towards a more gender inclusive/parity workforce within the bounds of the Afghanistan context.

Observation 1: Risk management and management oversight

Risk appetite

32. WFP operations in Afghanistan are inherently complex and high-risk, requiring ongoing risk management. Although the country office was aware of these risks, it had not developed a formal and documented risk appetite statement.² Formalized risk appetite statements help management articulate desired risk levels; align strategic decision making; improve the timeliness of risk response implementation; and safeguard the organization's assets.

Oversight planning and implementation

33. The country office's Risk Management Unit (RMU) did not have a comprehensive risk-based workplan for oversight missions to the area offices and country office functional units. During the audit period, RMU performed a few such missions, mostly reacting to fraud allegations or management concerns. These factors limited the effective use of RMU resources in focusing attention on risks and areas of operation with the highest impact.

34. During the scale-up of operations, the Regional Bureau for Asia and the Pacific provided direct support to the country office, deploying staff to key positions. These missions provided the regional bureau with access to information that facilitated risk management in a first-line role. The country office reported that functional units also carried out other supervisory activities. However, the results of these efforts could have been documented and communicated to RMU to consolidate oversight and risk management processes.

Management oversight over field offices and functional units

35. As previously noted, the country office's oversight missions were not consolidated, tracked and systematically followed up. For example, several recommendations related to food safety and quality, corridor management, CBT, privacy impact assessments and monitoring were outstanding or not fully implemented at the time of the audit fieldwork in June 2023. Standard operating procedures and guidance for various business processes required further development, updating and finalization, decreasing RMU's ability to measure compliance with internal controls.

² According to the United Nations High Level Committee for Management, a risk appetite is used to "express and agree the amount of risk that they [entities] are willing to accept in pursuit of their mission and organisational objectives. It sets out to propose that risk taking is a business necessity, since seeking zero risk is prohibitively costly, and moreover that some objectives deserve to attract relatively more or less risk than other objectives." United Nations High-Level Committee for Management, Guidelines on Risk Appetite Statements, CEB/2019/HLCM/26, September 2019.



Fraud risk management

36. While the country office's operations occur in a context of inherent high risks, particularly susceptible to fraud, the approach to fraud risk management was predominantly reactive. Proactive measures such as comprehensive fraud risk assessments were not completed to help evaluate contextual risks; the likelihood of internal fraud schemes and collusion; and the fraud risk implications of limited segregation of duties. The lack of such assessment limited the awareness of control gaps and impaired the country office's ability to manage fraud risks effectively.

37. Escalation protocols for fraud-related allegations reported by staff, cooperating partners (CPs), community and feedback mechanisms, and captured through monitoring reports did not follow existing processes and protocols to escalate such allegations.

Underlying cause(s): Competing priorities during the scale-up of operations, impacting prioritization of management oversight and risk management; limited capacity/expertise in the country office to perform a comprehensive fraud risk assessment; and unclear guidance on threshold, reporting and escalation protocols for fraud-related allegations.

Agreed Actions [Medium priority]

1. Taking into consideration the context, nature and size of its operations, the country office will institute stronger risk management practices by:
 - (i) Systematically assessing risks and triggering events; formalizing and transparently communicating key decisions; and establishing risk appetite statements tailored to the country office context.
 - (ii) Reassessing the Risk Management Unit's resources and empowering it to develop risk-based plans and perform oversight and compliance reviews of country office functional units and area offices.
 - (iii) Ensuring the participation of the Risk Management Unit as observers and advisers in key country office risk management oversight committees.
 - (iv) Developing a comprehensive consolidation, tracking and follow-up mechanism for compliance and oversight recommendations.
2. The country office will:
 - (i) In consultation with the Risk Management Division in headquarters, perform a comprehensive fraud risk assessment, informed by the inherent risk of fraud and corruption in Afghanistan; and systematically monitor fraud red flags.
 - (ii) Review the existing fraud reporting and escalation email list and protocols to optimize reporting and escalation to management and the Office of Inspection and Investigations.

Timeline for implementation

30 September 2024



Programme design and implementation

38. Acute food insecurity in Afghanistan worsened from August 2021. According to IPC analysis, 18.8 million people (47 percent of the population) experienced high levels of food insecurity (IPC Phase 3 or above) during September–October 2021. This number was projected to rise to 22.8 million (55 percent of the population) by March 2022.

39. In 2022, the country office provided emergency food, nutrition and livelihood support to 23 million beneficiaries, surpassing the assistance given in 2021 by over 50 percent.³ The strategic orientation of the country office programme did not significantly change as it was already responding to drought and COVID-19 pandemic-related emergencies in the country.

40. The country office used geographic (based on the bi-annual IPC) and community-driven targeting from the beginning of the operational scale-up. The effectiveness of targeting efforts was challenged by the August 2021 events and the repercussions these events had on community-based government structures, such as community development councils.

41. In December 2022, and subsequently in April 2023, the de facto authority placed restrictive conditions on the ability of women to work for NGOs and UN entities. The country office implemented measures to mitigate the impact of these restrictions on programme delivery and successfully maintained a consistent gender ratio among beneficiaries throughout the audit period. On-site verification at distribution points under three area offices (Kabul, Herat and Mazar) confirmed the presence of female beneficiaries.

42. The Office of Internal Audit recognizes the challenges inherent in programme design and implementation in the Afghanistan context, especially during a significant operational scale-up. These challenges included an uncertain operating environment, lack of institutional counterparts, limited CP capacity and restricted access.

Observation 2: Household targeting, prioritization and programme delivery

Household targeting during the emergency scale-up (August 2021–August 2022)

43. Corporate guidelines⁴ for targeting establish that “regular monitoring of targeting processes and outcomes is undertaken to enable country offices to determine if targeting and prioritization decisions were accurately designed and implemented, and to inform adjustments in light of the evolving needs and context, lessons learned and best practices.”

44. The geographic targeting process in Afghanistan was conducted directly by the country office in consultation with area offices, with household targeting of beneficiaries within prioritized geographic areas decentralized. While targeting and prioritization processes were established, a formal governance mechanism needed to be functional to enhance oversight and accountability for decision-making around prioritization and targeting and the systematic documentation of these decisions.

45. During the emergency scale-up, WFP used existing targeting practices, whereby CPs implemented a community-based household targeting process through community representatives using vulnerability criteria developed by the food security and agriculture cluster. During this period, roles and responsibilities among stakeholders, including area offices, CPs, community members and third-party monitors were not formalized, resulting in certain inconsistencies, including:

- Area offices did not formally document their monitoring and oversight of the targeting and beneficiary selection process.
- Inconsistent application of existing vulnerability criteria (defined by WFP and the food security cluster), data collection approaches, and creation and verification of beneficiary lists across the area offices.
- Inconsistent verification of beneficiary lists by third-party monitors across locations. The monitors often worked alongside CPs, impairing their objectivity.

³ WFP.2021. [Afghanistan Country Office Annual Country Report](#) and WFP.2022. [Afghanistan Country Office Annual Country Report](#).

⁴ Executive Director’s Circular OED2022/026, December 2022.



46. These factors had the potential to increase the residual risk of inclusion and exclusion errors and hinder the country office's ability to ascertain with a high degree of accuracy whether assistance was prioritized to the most vulnerable populations. While noting these issues, the Office of Internal Audit acknowledges that the high food insecurity prevalent in the country during the scale-up of operations lessened the risk of food assistance reaching individuals not requiring assistance.

Re-targeting and prioritization after August 2022

47. The Executive Director's Circular on "Management of Targeting Processes by WFP Offices" establishes that "registration, which is conducted in order to enroll households or individuals into an activity or a set of activities, should include sufficient individual and household-level information to identify households eligible for assistance, to cross-check and minimize targeting errors, and inform prioritization of assistance when needed."

48. Recognizing opportunities for improvement, the country office continued to review its targeting processes throughout 2022, with multiple support missions from the regional bureau, culminating in an updated process implemented through a new standard operating procedure from August 2022. Since then, the country office has implemented an updated geographical and community-based targeting approach, including forming community food assistance consultation groups to drive household-level targeting.

49. WFP's CPs collected and validated household vulnerability data through the community food assistance consultation groups. However, this data stayed with the CPs as there was no mechanism for WFP to centralize and check it against completeness and corporate data quality guidelines.⁵ In the absence of consolidated data, which limited the country office's ability to perform quantitative analysis to inform data-driven targeting and prioritization decisions, the country office relied on spot-checks by third-party monitors and feedback through community feedback mechanisms, limiting the office's ability to detect data quality issues and errors.

50. During the audit fieldwork, the country office started using SCOPE to collect household vulnerability data. Subsequently, it reported scaling up the data collection process to facilitate informed targeting decisions.

In-kind food transfer assurance

51. The country office documented district-level beneficiary targets through the implementation and operational plan and tracked and reconciled actual distribution numbers against targets at the district level. For the final distribution point level, planned beneficiary numbers are included in food release requests, while actual beneficiary numbers are reported through CP reports. However, the country office needed to systematically reconcile beneficiary numbers at the food distribution point level as part of the distribution cycle review. This made it difficult to accurately monitor changes in beneficiary numbers from planning to distribution; fine-tune adjustments to distribution plans; and monitor changes that may indicate anomalies for subsequent follow-up.

52. Distributions are attended by relevant area office staff and third-party monitors who perform informal verifications and quality checks, as well as address detected anomalies. However, there was no evidence of a systematic reconciliation process to compare planned versus assisted households at the individual household level for manual redemption outside of SCOPE. A systematic validation process for CP distribution reports was also absent. This impacted the country office's effectiveness in detecting anomalies and obtaining assurance over the accuracy of CP distribution reports.

Food loss recording

53. Food losses reported by CPs amounted to 64 mt between August 2021 and December 2022 and none as of June 2023 at the time of the audit fieldwork. Subsequent reports generated before the finalization of the audit report showed 23 mt of food losses for the period from January to June 2023. During the same period, sampled third-party monitor reports reviewed for the audit indicated food losses that were not systematically reviewed, quantified and reported by CPs or the country office in COMET.⁶

⁵ Guidance on Data Quality, RAM, October 2020

⁶ WFP's Country Office Tool for Managing (programme operations) Effectively



Underlying cause(s): The rapid scale-up of operations required lean targeting process; absence of institutional government counterparts; limited staffing resources; access and movement challenges during scale-up; the extended period from the start of emergency scale-up until August 2022 to review key targeting and prioritization-related decisions; inherent risks associated with the community-based targeting approach; lack of mechanisms to link programme planning at the country office level and CP-led planning and reporting; and reconciliation and validation practices not systematized at the individual household level.

Agreed Actions [High priority]

1. The country office will establish a targeting and prioritization working group, in line with corporate guidance, to enhance oversight and accountability of decision making around prioritization and targeting.
2. The country office will establish a mechanism to centralize and consolidate household-level vulnerability data and conduct regular quantitative data analysis to inform data-driven re-targeting and prioritization decisions.
3. The country office will:
 - (i) Establish a link between the country office planning tool and distribution point planning and develop a systematic reconciliation process at the final distribution point level to reconcile aggregate beneficiary numbers planned and assisted.
 - (ii) In coordination with field offices, introduce a standardized process to review, validate and reconcile cooperating partner distribution reports to identify deficiencies and irregularities.
4. The country office will provide training to staff and cooperating partner staff on basic inventory management, including commodity accounting principles, and food loss reporting. Once available, the country office should implement the LESS⁷ last-mile solution with cooperating partners.

Timeline for implementation

- 1-3. 31 July 2024
4. 30 September 2024

⁷ WFP's Logistics Execution Support System.



Accountability to Affected Populations

54. The country office strengthened its accountability measures in 2022, recognizing a potential escalation of the risks affecting vulnerable populations. As part of these efforts, the country office expanded its community feedback mechanism and implemented an interactive voice-response system capable of registering cases around the clock. The number of registered cases rose from 8,700 in 2021 to 142,600 in 2022 and just under 400,000 in 2023, with an increase in operators from 2 to 25, 75 percent of them women.⁸

55. The feedback mechanism demonstrated a robust gender-sensitive approach, with approximately one-third of all cases submitted by female users, and captured disability disaggregated data for people who self-reported it when contacting WFP. At the time of audit report issuance, the country office reported considerable improvements in communication with communities using multiple, culturally appropriate channels, including community radios.

Observation 3: Community feedback mechanisms

56. The country office's community feedback mechanism primarily relies on a central toll-free hotline. This channel underwent significant improvements during the audit period, including increased resources and enhanced processes for analysing, categorizing, prioritizing, escalating and following up on feedback. The audit noted that 93 percent of hotline messages in 2022 were enquiries about the WFP programme and requests for assistance.

57. Corporate guidelines⁹ indicate that "information from diverse feedback channels is consolidated into a single functional CFM used to inform programmatic change and contributes to joint and collective analysis and response." Guidelines¹⁰ issued after completion of the audit mission require community feedback mechanisms to "centralise, digitise, and systematise feedback from all channels in compliance with data privacy," to "ensure the reliability of data and accountability of procedures through quality assurance checks" and "generate data that gives insight into trends and informs decision-making."

58. As part of process monitoring, the country office collects programme-related feedback through area offices, third-party monitors and CPs. The country office had no integrated mechanism to consolidate and triangulate the feedback collected through process monitoring and community feedback mechanisms to ensure a coordinated response. Furthermore, case-handling mechanisms adopted for process monitoring and the community feedback mechanism needed to be standardized. As a result, the country office could not collectively analyse information and identify broader trends and emerging issues.

59. CPs operated help desks at distribution points to provide programme-related information to beneficiaries and collect face-to-face feedback. The audit observed that the quality of this practice varied across CPs and in different area offices due to a lack of standardization; and country office had limited assurance that significant issues are escalated to WFP. The information collected through these help desks was not integrated with WFP-operated feedback channels, reducing the country office's ability to identify trends and patterns for programme enhancement.

60. At the time of the issuance of this report, the country office reported that the community feedback mechanism and process monitoring integration efforts were ongoing and that it was exploring solutions, including using AI technology to triangulate, categorize and analyse data between the two information sources.

⁸ From country office internal reports on community feedback mechanism.

⁹ Protection and Accountability Handbook, October 2021.

¹⁰ WFP Community Feedback Mechanisms, Standards, Guidance and Tools, January 2024.



Underlying cause(s): Corporate policy gap; limited capacity and insufficient training among CPs; lack of country office ownership of CP-operated help desks as extended community feedback mechanism channels; and high dependence on the hotline as the main community feedback mechanism channel.

Agreed Actions [Medium priority]

1. The country office will establish a formalized process to triangulate programme-related community feedback from multiple sources at the country office level.
2. The country office will develop operational plans and guidelines for cooperating partners to mainstream accountability to affected populations, including (i) improving mechanisms for beneficiary communication; (ii) standardizing cooperating partner-operated help desks and feedback collection; and (iii) protocols for sharing information collected at help desks with the country office.
3. The country office will enhance its information management process to ensure that it systematically receives feedback from all channels, including cooperating partner-operated help desks, and utilizes information from these help desks for analysis and reporting.

Timeline for implementation

1. 31 December 2024
2. 30 September 2024
3. 31 December 2024



Identity management

61. Of the 23 million beneficiaries assisted in 2022, 70 percent received in-kind food assistance, and the remaining 30 percent received CBT.¹¹ The country office used the SCOPE application and manual spreadsheets to manage beneficiary information.

62. During the audit period, 73 percent of beneficiaries assisted were registered in SCOPE, including all CBT recipients. In 2022, the country office expanded beneficiary biometric data collection (fingerprint scans) for the registration of beneficiaries, resulting in the collection of biometric data for 55 percent of registered households. This included all 1.5 million households receiving CBT and 40 percent of in-kind beneficiaries.

63. The Tazkera identity document (ID) is Afghanistan's government-issued personal identification document. These IDs, previously only paper-based, currently exist in both paper and plastic forms. Tazkera IDs lack a standardized numbering system, and there is a possibility that individuals possess multiple versions issued in different provinces, challenging their effectiveness as reliable, unique identification documents.

64. Between 2019 and 2022, the country office facilitated various assessments related to data protection and privacy, including conducting a privacy impact assessment in January 2022; a data protection assessment in 2021; and an assessment of beneficiary data management practices related to cash and voucher assistance conducted through a support mission from headquarters in December 2021. These assessments identified significant risks associated with beneficiary data management, beneficiary identity, registration and distribution protocols, data integration and reporting, and recommended mitigation measures.

Observation 4: Identity management and data protection

Governance

65. Previously established beneficiary registration procedures, outlined in the "standard operating procedure for SCOPE registration" (last updated in July 2021), were superseded by leaner procedures for the emergency scale-up in November 2021. During the audit period, 27 percent of beneficiaries were registered outside SCOPE and not governed by the relevant operating procedures.

66. Since August 2021, the operating environment has undergone significant changes, including expanded vulnerability, biometric data collection and improved geographical accessibility. These changes need to be reassessed to ensure the procedures remain fully aligned with the evolving identity management practices across area offices and CPs.

Beneficiary verification

67. Corporate beneficiary identity management guidance (2021) recommends identity controls over beneficiary selection, registration and verification processes. Further, WFP's Cash Assurance Framework¹² requires that (i) beneficiaries are backed by reliable foundational or functional identities; (ii) each individual and/or household record in the registry (or list) is unique and clean, and deduplication and adjudication are performed regularly; and (iii) beneficiary identities are verified at the point of distribution using reliable means of identification.¹³

68. The country office relied on manual verification of beneficiary identities using the Tazkera IDs for recipients of in-kind and direct cash transfer assistance. This involved comparing Tazkera IDs against printed or spreadsheet-based distribution lists at distribution points. A privacy impact assessment in January 2022 identified limitations with Tazkera IDs, including deterioration, outdated photos, lack of standardized numbering and the potential for duplicate possession. These weaknesses limit the effectiveness of Tazkera IDs as the sole means of reliable identification, thereby increasing the risk of waste and fraud in transferring assistance to beneficiaries.

¹¹ WFP.2022. [Afghanistan Country Office Annual Country Report](#).

¹² WFP Cash assurance framework, technical note, December 2021.

¹³ At the time of this report's publication, WFP was developing a beneficiary identity management assurance framework to provide field operations with greater clarity on what principles to follow to provide reasonable assurance regarding the means to identify the recipients of assistance. These principles are expected to help improve the means whereby WFP identifies, registers and verifies the identity of individuals receiving assistance.



69. The country office collected biometrics for 55 percent of assisted households to overcome these inherent limitations. At the time of the audit, the country office had implemented digital identity verification on only 15 percent of the recipients receiving commodity vouchers. The country office has an opportunity to leverage biometric data and expand the use of secure digital identity verification to all transfer modalities. At the time of the issuance of this report, the country office reported improvements in the authentication process, including increasing digitalization through WFP's digital solution - the SCOPE Card Light.

Deduplication of identities

70. During the audit period, biometric data collection significantly improved the deduplication process. For 1.5 million households receiving CBT, the country office established an effective deduplication process using biometric data and produced payment lists through SCOPE. However, the country office did not have an effective deduplication process for in-kind beneficiaries due to multiple factors, including (i) information related to 27 percent of beneficiaries existed outside SCOPE in spreadsheets; (ii) distribution lists were not consistently generated through SCOPE, after deduplication, across all area offices and for all CPs; and (iii) the country office had not yet established a process to consolidate and manually de-deduplicate these spreadsheet-based distribution lists.

Data protection and privacy

71. The country office had yet to establish a comprehensive framework for data protection to mitigate privacy risks and standardize practices. Recommendations arising from the privacy impact assessment conducted from November 2021 to January 2022 included measures such as developing a country office-specific data protection operational framework; appointing a data protection focal point; and conducting a data security assessment. These measures had been partially implemented during the audit fieldwork.

72. Despite the country office's reported efforts to raise the awareness of CPs and financial service providers (FSPs) regarding data privacy and security management, issues were noted during audit visits to distribution points and CP offices, including (i) CPs collecting additional sensitive beneficiary data, including thumb impressions for their records, without proper guidance and monitoring by the country office; (ii) data sharing without previously agreed upon protocols with FSPs and CPs – leading to insecure and unprotected data transfers; and (iii) sensitive beneficiary data was found in hard and soft copy documents at distribution sites with no access restrictions. At the time of the audit fieldwork, and conscious of these risks, the country office was adopting safe means to transfer data to CPs.

Underlying cause(s): Insufficient staff and equipment during emergency scale-up for SCOPE implementation; rapid increase in beneficiary caseload without analysis and implementation of compensating and detective controls; unreliable national identity card system; lack of risk analysis and assessment of beneficiary verification, and use of real-time beneficiary identification equipment; and inadequate data privacy culture, along with limited data protection resources within WFP.

Agreed Actions [High priority]

1. The country office will:
 - (i) Update its standard operating procedures for identity management, incorporating operational changes, addressing registrations outside SCOPE and establishing clear identity control standards.
 - (ii) Re-evaluate if verification of the Tazkera identity card provides sufficient assurance of the individual's identity or if additional forms of identity verification should be adopted.
2. The country office will establish a consistent and comprehensive beneficiary identity verification process across transfer modalities with an implementation plan and clear milestones. This should include expanding the country office's use of digital identity verification by leveraging existing biometric data.
3. The country office will:



- (i) Establish a comprehensive deduplication mechanism for all beneficiary identities registered through SCOPE or manually outside SCOPE, leveraging biographical and biometric data as applicable.
 - (ii) Enhance the process for generating final distribution lists specifically for in-kind beneficiaries registered through SCOPE to ensure that cooperating partners only utilize deduplicated lists generated through SCOPE.
4. The country office will:
- (i) Implement comprehensive data protection and privacy measures and (a) formalize the data protection working group and focal point; (b) execute a data security assessment; and (c) implement prior privacy impact assessment recommendations.
 - (ii) Bring to completion ongoing efforts, including setting protocols to ensure data minimization and security; standardization of beneficiary data collection; and data transmission to and from cooperating partners.

Timeline for implementation

- 1. 31 July 2024
- 2. 30 September 2024
- 3. 31 December 2024
- 4. 30 September 2024



Cash-based transfers

73. WFP's 2022 Cash Assurance Directive "sets the standards that all cash-based transfer (CBT) operations need to meet to ensure that the money WFP sends is going to the right people."¹⁴ The Cash Assurance Framework, the key component of the directive, is a set of standards and measures to assist country offices in strengthening controls for cash-based operations.¹⁵

74. The collapse of the Afghan government and the withdrawal of international forces in August 2021 was followed by a dramatic change in the financial sector operating landscape. International sanctions, particularly on the banking sector, impacted how WFP and other humanitarian actors operated their CBT programmes. To continue delivery, an increased reliance on non-traditional FSPs was required, such as money service providers or "hawalas", which are generally considered to be higher risk, partly due to the absence of traditional financial information systems.

75. In 2022, the country office distributed USD 326.9 million in CBT to 4.4 million beneficiaries, an increase of 646 percent compared to the USD 43.8 million distributed in 2021.¹⁶ To accommodate this growth, the country office expanded its direct cash and value voucher programmes and introduced a new commodity voucher programme. The country office implemented food safety and quality standards and utilized SCOPE Card light with SCOPE point-of-service devices to enhance controls and reduce the risk of fraud in the commodity-voucher delivery mechanism.

76. USD 175.6 million or 54 percent of the total CBT value distributed to beneficiaries in 2022 was through physical cash-in-hand by FSPs.¹⁷ Contracts signed with these FSPs dictated the procedures they were to follow in distributing cash including, but not limited to, the processes for distribution site set-up, cash distribution and transfer reconciliation.

77. The rapid increase in CBT distributions over such a short period of time challenged the country office's ability to maintain an effective level of control and oversight in line with WFP's Cash Assurance Framework. The country office was further constrained in implementing technical solutions to enhance controls over distribution to such a large population due to external limitations and restrictions in procuring and importing technical equipment into Afghanistan until the end of 2022. During this period, these limitations were outside the control of the country office.

78. After the rapid increase in CBT distributions in 2022, since June 2023 WFP has experienced a similarly rapid decrease in distributions and expects this to continue in the face of declining resources.

79. WFP's CBT programme made up more than 90 percent of the United Nations Country Team (UNCT) cash distributions in Afghanistan. WFP is an active participant and co-leader of the inter-agency United Nations Cash Voucher Working Group, sharing best practices and challenges, and coordinating on matters affecting all participants, such as common procurement and market functionality.

Observation 5: Cash-based transfers governance and set-up

Governance

80. WFP's Cash Assurance Framework states that "the opportunity to commit fraud increases significantly when too much of the CBT process is in the hands of only a few staff." As noted in the Regional Bureau of Asia and the Pacific's December 2022 oversight report on CBT, segregation of duties for key CBT and SCOPE roles needed to be enhanced to minimize the risk of fraud.

¹⁴ WFP Cash Assurance Directive, March 2022

¹⁵ The Cash Assurance Directive establishes five standards: that the people WFP assists can easily contact the organization if they have questions or wish to report a problem or wrongdoing; that WFP respects people's privacy and personal data; that WFP knows the identities of the people to whom it transfers money; that WFP connects people with financial products and services that they prefer and can use; and that WFP has a tamper-proof way to send money to people and check that they received it.

¹⁶ WFP.2022. [Afghanistan Country Office Annual Country Report](#).

¹⁷ Internal Cash-Based Transfers dashboard



81. The country office reported, and the Office of Internal Audit recognized, that standard operating procedures were in place to manage segregation of duties in the CBT process. Despite this, there were segregation of duties conflicts between key roles in the CBT process during the audit period. While most SCOPE transactions during the audit period appeared to occur without segregation of duty issues, there were still some instances where individuals performed high-risk SCOPE transactions that enhanced the risk of fraud. The country office noted that an organizational alignment performed after the audit fieldwork addressed the necessary segregation of duties issues.

82. The country office's CBT risk assessment of January 2022 had not been updated and implementation of mitigating actions was not regularly monitored. For example, the assessment identified the country office as having implemented the fraud risk mitigating control of a "2-step authentication process of all beneficiaries (ID/SCOPE Card + Biometry (or pin-code))", when this only applied to an unidentifiable small caseload of CBT distributions, and no alternative mitigating control for fraud was identified.¹⁸

83. Other potential fraud risk schemes were not sufficiently identified, including the risk of collusion between cash delivery partners, or risks associated with the new commodity voucher modality. The country office reported that a fraud risk assessment of CBT was conducted after the audit fieldwork.

Set-up

84. Effective CBT set-up with well-designed processes and a thoroughly vetted operating environment, including for FSPs, is crucial for risk mitigation and to achieve programme objectives. The country office initially relied on macro-financial assessments and the FSP assessments performed in 2020, which have an applicable duration of three years. However, the significant changes in the operating environment since 2021 challenged the continued validity of these assessments. The country office started re-evaluating these assessments in April 2022, i.e. eight months after the scale-up start. The financial sector intelligence report assessing the financial landscape was finalized in December 2022 due to difficulties in obtaining the necessary information.

85. The 2020 due diligence assessment of WFP's primary direct cash FSP raised red flags that signalled risks associated with the service provider, including the absence of financial information systems and the inability to provide financial statements. The Business Development and Cash-Based Transfers Branch of WFP's Finance Department (FINB) recommended that the country office minimize the use of the FSP; ensure that all targeted beneficiaries were issued with SCOPE cards; and seek approval from other relevant WFP stakeholders. These recommendations had been partially implemented at the time of the audit fieldwork, partly due to constraints in the importation of SCOPE card-related equipment and partly to the dynamic and rapidly evolving nature of the financial sector in Afghanistan.

86. Since August 2021, the country office conducted follow-up due diligence exercise on all FSPs actively used. As with the due diligence exercise conducted in 2020, key recommended mitigating actions issued by FINB in November 2022 for the primary FSP had only been partially implemented as at the time of audit fieldwork. Standard operating procedures had not been updated clearly as recommended; secure file transfer systems had not been implemented to transmit beneficiary payment lists; and SCOPE and PoS systems were used to manage authentication at manual distribution sites in some locations.

87. The country office reported that since the audit fieldwork, recommendations from FINB have been considered, analysed and implemented within the scope of operational needs and constraints. Similarly, most of the regional bureau oversight recommendations have been implemented, with some still ongoing.

¹⁸ Widespread rollout of SCOPE cards for direct cash was initially limited due to challenges in procuring sufficient equipment. As per cash working group minutes, sufficient equipment was available as of November 2022. Despite this, as of the date of the audit field mission, SCOPE cards had yet to be rolled out for direct cash transfers.



88. Performance evaluations for the three direct cash FSPs contained inaccuracies. For example, the evaluations indicated the FSPs fully complied with data protection protocols and that SCOPE cards were used; yet audit testing confirmed weaknesses in beneficiary data protection and limited use of SCOPE cards, as indicated in [Observation 4: Identity management and data protection](#) and [Observation 3: Community feedback mechanisms](#). The lack of accurate assessments adversely impacts the decision-making process when selecting FSPs.

Underlying cause(s): Limited staff capacity to support implementation of CBT operations at such a large scale; and headquarters (Finance Division, CBT) and regional bureau oversight advisory in nature, with proposed actions not seen as mandatory but optional.

Agreed Actions [High priority]

1. The country office will:
 - (i) Perform and regularly update a cash-based transfer fraud risk assessment with relevant mitigating actions monitored and followed up at the country and area offices.
 - (ii) Review the adequacy and positioning of staff resources for the cash-based transfers function at the country and area offices to ensure segregation of duties.
 - (iii) Establish an oversight mechanism for the financial service provider evaluation process to ensure evaluations are accurate and a true reflection of the providers' performance.
2. In coordination with the Regional Bureau of Asia and the Pacific, the country office will review cash-based transfers oversight and guidance mechanisms to ensure the key risk mitigation measures recommended are effectively implemented.

Timeline for implementation

31 July 2024

Observation 6: Cash-based transfer delivery and reconciliation

Delivery mechanism

89. To ensure effective CBT delivery, FSPs must adhere to agreed-upon standard operating procedures and the country office must provide adequate oversight to mitigate risks and ensure their proper operation.

90. The FSPs examined did not implement measures to sufficiently safeguard cash during distributions, including those prefinanced by the country office, as stipulated in contractually agreed procedures. For example, FSPs:

- Did not always count cash in front of beneficiaries and beneficiaries were not encouraged to count cash before receiving it.
- Did not verify beneficiaries and instead relied on CP verification.
- Did not obtain reliable confirmation and witness that the right beneficiaries had received the cash.

91. Overall, while the control for verifying beneficiaries in the direct cash process was not functioning as intended, the inherent design – obtaining fingerprints on paper – was ineffective as WFP does not have the means to verify that fingerprints belong to the individuals registered in the programme. To be effective, especially given the high caseloads in Afghanistan, controls need to be digitized and automated.

92. At the time of the issuance of this report, the country office reported that new FSP contracts now require use of SCOPE cards with either biometric or pin code digital authentication for the redemption to take place, with no other identity verification required.



Cash reconciliations

93. The absence of SCOPE cards or biometrics for beneficiary verification at direct cash distribution points, as recommended by FINB oversight and indicated in the CBT risk assessment, prevented the automation of reconciliations at the individual beneficiary level. Provision of the necessary technical equipment to implement such a solution prevented its widespread implementation until the end of 2022. However, the solution was still not rolled out at the time of audit fieldwork in May 2023.

94. The country office relied on third-party summary reconciliations signed by the CP, FSP and third-party monitor, showing only the total number of beneficiaries receiving cash. More detailed reconciliations and reviews could have strengthened this process, but the country office did not systematically collect and review beneficiary distribution lists with evidence of beneficiary acknowledgment of cash receipts, preventing it from identifying the transfers effected or not collected by individual beneficiaries.

95. These deficiencies were compounded by the high-risk nature of the FSPs involved; weaknesses identified in monitoring; and the absence of any WFP staff at most distributions. This exposed the process to fraud risk, especially considering the operating environment and susceptibility to collusion risk between FSPs, CPs and third-party monitors for direct cash distributions.

96. By March 2023, the country office had noted the weaknesses in the design of controls over the distribution of direct cash and was in the process of implementing stronger controls with FSPs that would enhance the use of digital verification and automated reconciliations.

Underlying cause(s): Lack of digitization and automation of CBT processes; limited staff capacity to support implementation of CBT at such a large scale; and unclear standard operating procedures for reconciliations and for the country and area offices to perform oversight, including spot-checks, of FSPs and distribution sites.

Agreed Actions [High priority]

The country office will:

- (i) Establish an operating model with relevant standard operating procedures for the country and area offices to perform oversight of financial service providers.
- (ii) Review direct cash distribution and reconciliation processes to identify opportunities for enhancements in reliability, digitization and automation.
- (iii) Strengthen and clarify the standard operating procedures for reconciliations of the direct cash modality to ensure that reconciliation at the beneficiary level is undertaken systematically.

Timeline for implementation

31 July 2024



Supply chain

97. Supply Chain in the country office comprises procurement, food safety and quality, and logistics functions. The country office used international, regional and local suppliers when procuring commodities. Total procurement expenditure for commodities during the audit period amounted to USD 361 million: 54 percent of which was sourced locally, 19 percent regionally and 27 percent internationally. Food procurement amounted to USD 195 million, 97 percent undergoing competitive processes. Goods and services procurement amounted to USD 73 million, of which 83 percent underwent a competitive procurement process. Procurement activities are centralized at the country office.¹⁹

98. The country office relied on two corridors for in-kind imports to ensure the success of the scale-up: the southern corridor from Pakistan, arranged through a memorandum of understanding with WFP's Pakistan Country Office;²⁰ and the northern corridor, including the borders with Tajikistan, Uzbekistan and Turkmenistan managed from WFP headquarters for international procurement. During the scale-up of operations, the southern and northern corridors channelled 40 and 60 percent of the food commodities, respectively.

99. During the audit period, the country office transferred 1.1 million mt of food commodities to CPs for distribution, a substantial increase compared to the 277,000 mt transferred in 2021. The country office adopted a just-in-time delivery approach, reducing significant delays in expected lead times and delivery to beneficiaries. As of July 2023, the country office had 108,971 mt of food stored in 19 WFP-managed warehouses.

100. The Regional Bureau of Asia and the Pacific conducted supply chain and food safety and quality oversight missions to the country office in June 2022, and October 2023.

Observation 7: Logistics

Supplier management of food safety and quality

101. In February 2022, due to the unprecedented scale-up of operations, the headquarters Supply Chain Division exceptionally cleared 19 food suppliers that did not fully comply with WFP food safety and quality standards. In addition, the country office contracted additional suppliers for local food procurement that were not cleared and were not part of the exceptional clearance granted by the Supply Chain Division. Improvement plans for these vendors had not been fully implemented at the time of the audit field mission (completion was due in June 2023). As of November 2023, these improvement plans had not yet been completed.

102. The country office relied on a single inspection company for food quality and inspection services. Audit testing revealed that the inspection company carried out limited number of inspections and delayed submission of its inspection reports, indicating the contractor's limited capacity and technical expertise. At the time of issuance of this report, the country office reported that it had increased the number of inspection companies it employed.

Commodity management

103. During the monthly physical inventory count, movement of warehouse stock should be halted to allow for an accurate count. The surge in the volume of commodity movements during the scale-up of operations reduced adherence to this requirement, leading to offline dispatches that subsequently affected inventory reconciliation. Physical inspection of four warehouses in three area offices revealed variations ranging from no differences to 32 percent between physical stock counts, stack cards and LESS data. Overall, in 2022 and 2023, the monthly physical inventory count reports reviewed indicated zero or limited discrepancies between the physical stock and LESS, which may suggest that these controls might not have been operating effectively.

¹⁹ Local goods and services procurement for the audit period amounted to USD 67 million and food commodity purchases amounted to USD 195 million.

²⁰ WFP's Pakistan Country Office is responsible for procurement, transport, port operations, storage, food safety and quality, exemptions, budgeting and invoice processing.



104. Data reliability for the period January to December 2022 was adversely impacted by the 22 percent landside transport instructions that were not closed promptly or only partially closed in WFP's commodity management system. In addition, the last-mile mobile usage rate in June 2023 – which records real-time transactions by WFP CPs and improves the accountability and accuracy of commodity accounting information – ranged from 52 to 87 percent.

Underlying cause(s): Limited capacity to implement food safety and quality controls; limited number of testing and inspection companies in Afghanistan; rapid movement of a high volume of food commodities impacting effective execution of physical inventory controls; and limited commodity accounting training, staffing constraints and capacity to manage contracts.

Agreed Actions [Medium priority]

1. The country office will:
 - (i) Reassess the number of local food suppliers it engages and provide capacity building and follow-up on implementation of the supplier action plan.
 - (ii) Perform a market assessment in Afghanistan to identify and procure testing and inspection companies and provide capacity building for the existing inspection company.
2. The country office will train staff on physical inventory count and recording procedures and perform unannounced physical count exercises. Following corporate directives, the Country Director will establish and endorse a physical inventory count committee.

Timeline for implementation

31 December 2024



Non-governmental organization management

105. During the audit period, the country office entered commitments with 112 CPs, a 32 percent increase compared to 2021. Approximately 75 percent of these partners were local NGOs and entities, with 42 percent having prior experience and collaborations with other UN agencies.²¹ The total value of field-level agreements signed between August 2021 and December 2022 amounted to USD 111.5 million.

106. The de facto authority observes NGO activities, including beneficiary registration and assistance distribution. NGOs were required to register their contracted activities and obtain permits from regional authorities. This procedural mandate substantially delayed implementation of activities.

107. As noted in [paragraph 22](#), in December 2022 and subsequently in April 2023, the de facto authority placed restrictive conditions on women working for NGOs and UN entities, with the country office taking mitigating measures to successfully maintain a consistent gender ratio among beneficiaries.

108. In the scale-up phase, the country office prioritized an efficient response and risk mitigation, opting to collaborate with existing partners to minimize undue influence, fraud risk, and the time and risks associated with engaging new NGOs. During the audit field mission, the CP unit undertook a joint exercise to comprehend partner challenges. The country office initiated collaboration with the headquarters NGO Partnerships Unit for implementation of the United Nations Partner Portal and training for CPs and WFP staff. Efforts were also under way to bolster resources for the CP unit through recruitment, and long-term field-level agreements with partners were being signed.

Observation 8: Non-governmental organization management

Partner capacity assessments

109. Despite the country office's decision to implement and collaborate with existing partners to mitigate risks, the partner capacity assessments reviewed (intended to inform due diligence checks) predominantly relied on desk reviews, with limited engagement of Programme with other technical units such as Finance, Supply Chain. Additionally, the capacity assessments did not contribute to developing various training initiatives.

110. At the time of the audit field visit, the country office did not actively use the United Nations Partner Portal, widely employed by other UNCT entities. Introducing such a mechanism and fostering collaboration with other UNCT agencies could have improved the country office's due diligence procedures. As of February 2024, the country office reported that the verification of NGOs through the United Nations Partner Portal was ongoing and had reached a 60 percent completion rate. The country office is also working on the rollout of the portal, adhering to the mandated directive for its full implementation.

Partner selection process

111. The selection process for CPs during the scale-up of operations involved review by the project technical review committee and the project approval committee at the country office. Despite CPs praising the close coordination with WFP area offices, they highlighted challenges related to prolonged administrative processes, including after signing the contractual obligations with WFP. These challenges resulted in short timeframes for pre-project preparation and resource mobilization, putting pressure on delivery timelines and potentially compromising delivery quality.

Payment delays

112. The NGOs interviewed during the audit expressed concerns about delayed payments and the prolonged invoicing process, indicating communication and follow-up issues.

Oversight activities

113. Assurance and oversight activities covering programmatic, financial and administrative spot-checks are necessary for effective programme implementation and to ensure CPs' efficient use of resources. The country

²¹ UNHCR, UNICEF, UN OCHA and UNFPA



office had not systematically conducted spot-checks of CPs or verified the implementation progress of the agreed activities and the results reported to WFP. While the audit team was provided with some mission reports, there was insufficient evidence to suggest these were guided by a comprehensive risk assessment.

Underlying cause(s): Staffing constraints in the country office; CPs' limited understanding of the invoicing process; technical units' lack of involvement in performing capacity and risk assessments; and lack of systematic process for conducting risk-informed spot-checks.

Agreed Actions [Medium priority]

1. The country office will:
 - (i) Implement full use of the United Nations Partner Portal checks and conduct risk-informed partner capacity assessments and due diligence checks.
 - (ii) Reassess the roles and responsibilities of the area office project technical review committee and country office project approval committee to streamline review and agreement approval processes.
2. The country office will train cooperating partners on expenditure reporting to strengthen the reporting process; develop tracking tools to identify reporting delays; and consider resourcing additional staff to support report review activities in the area offices.
3. The country office will adopt a risk-based management oversight framework for cooperating partner activities to ensure spot-checks are systematically and periodically performed, leveraging existing United Nations Country Team oversight mechanisms.

Timeline for implementation

30 November 2024



Monitoring

114. WFP's monitoring guidelines indicate "country offices are recommended to prepare a monitoring strategy which incorporate all the key processes and documents, for the duration of the Country Strategic Plan. A country office monitoring strategy should include at least the vision, roles and responsibilities, capacity assessment, monitoring systems, activity planning, and budgeting." Monitoring in the country office covers output, outcome and process monitoring.

115. For process monitoring, the UN security framework in Afghanistan limits WFP from accessing certain areas of the country. To overcome access challenges, the country office employed third-party monitors following the principle of "no monitoring, no distributions." Until May 2023, the country office worked with three monitoring companies to cover the six area offices. Following a competitive procurement process, staff from five third-party monitoring companies are now present at food distribution points and other WFP activity sites. Through a set of eight standards questionnaires designed by WFP, these companies report observed irregularities to WFP area offices for further analysis and follow-up.

116. For output monitoring, WFP reviews CP distribution reports, which include aggregate numbers of the amount of food distributed and people assisted, entering the data in COMET. An overall data quality review of the data aggregated in COMET is performed. The country office's monitoring team performs monthly reconciliations between COMET and LESS.

117. The Office of Internal Audit reviewed the country office's monitoring strategy and plans, coverage, systems and tools for analysing and tracking monitoring issues.

Observation 9: Monitoring

118. The Regional Bureau of Asia and the Pacific's 2021 monitoring oversight report identified various areas for improvement in the country office monitoring processes. At the time of the audit fieldwork, although the country office had started implementing several actions to address these areas, the actions had not been fully implemented. However, at the time of the audit fieldwork, similar issues persisted in the planning and implementation of monitoring activities, including inconsistencies noted in the monitoring strategy, tools, data quality validations, methodologies, practices and reporting. In February 2024, the country office reported it had started implementing several additional actions highlighted during the audit fieldwork.

Monitoring strategy and standard operating procedures

119. The country office's monitoring strategy was revised in October 2021 to align with its country strategic plan ending in 2023. Amid the evolving political context, the country office had not formally revised its strategy to factor in key events in 2022 and 2023, particularly the restrictions placed on women working for NGOs and the UN. Mitigating measures had been taken to ensure the continuity of monitoring activities and women's engagement wherever feasible. At the time of the audit fieldwork, standard operating procedures for monitoring, third-party monitoring processes and resolution mechanisms for monitoring findings had not been formalized.

Monitoring planning

120. The country office had 1,000 final distribution points for emergency food assistance. Monitoring planning was decentralized across the six area offices. The Office of Internal Audit observed that monitoring was manual, non-digitized and inconsistent, inhibiting the country office's systematic review and oversight of planned versus completed monitoring activities. During the audit fieldwork, the country office was developing mechanisms to centralize monitoring planning.

Third-party monitoring processes

121. To mitigate risks related to the lack of direct monitoring, the country office adopted 100 percent monitoring coverage for strategic outcome 1, which accounted for 88 percent of the country office's total expenditure, following the principle that no distribution could occur without the presence of a third-party monitor.



122. The country office performed limited spot-checks, verification and triangulation²² of CP distribution information to validate the quality of third-party monitoring. During the audit period, limited training was provided to third-party monitors to improve the quality of monitoring reports and increase the effectiveness of process monitoring.

123. Until late 2022, in the absence of standardized tools, monitoring data collected by third-party monitors was not uniform across the area offices, impacting data quality for decision making. In late 2022, the country office standardized the data collection questionnaires for the eight monitoring processes using the MODA²³ corporate tool, which improved the harmonization and quality of third-party monitor reporting. At the time of the audit fieldwork, the country office was planning to provide training to third-party monitor management and team leaders.

Resolution of monitoring findings

124. An issue-tracking tool was developed in March 2023 to standardize the resolution of monitoring findings across the area offices. At the time of the audit fieldwork, 9 percent of findings classified as critical and 27 percent classified as high risk remained unresolved for over 60 days. The consolidation and reporting of monitoring activities to advise and adjust programme implementation was only initiated in October 2022.

Underlying cause(s): Staffing constraints and the recent re-organization of the monitoring team under the Research, Assessment and Monitoring unit; rapid scale-up of operations, including the “no monitor, no distribution” principle, and the ban on women working for NGOs overstretched the third-party monitors capacity; rapid increase of third-party monitoring staff during the scale-up of operations without corresponding training; insufficient oversight of area office monitoring activities, results and feedback; and de-prioritization of resolution of monitoring findings reported by the area offices due to competing priorities.

Agreed Actions [Medium priority]

The country office will:

- (i) Update the monitoring strategy and finalize the adoption of standard operating procedures for monitoring activities.
- (ii) Align monitoring plans with the newly released monitoring guidelines, considering all activities in the country strategic plan, reporting requirements and timelines, coverage targets, information sources and required human resources.
- (iii) Develop an oversight framework for third-party monitors and a mechanism to systematically triangulate information and data obtained from diverse sources, such as distribution reports, to ensure monitoring and reporting quality.
- (iv) Develop and enforce guidance for the timely resolution of monitoring findings.

Timeline for implementation

30 September 2024

Humanitarian access and security

125. In Afghanistan, humanitarian access is coordinated by the Humanitarian Country Team based on joint operating principles and a humanitarian access strategy. The primary advisory forums for analysing and discussing access issues are the Humanitarian Access Group and the National Access Working Group under the leadership of the Humanitarian Country Team.

126. Despite improvements in physical access to previously hard-to-reach areas, humanitarian agencies continue to face access constraints in their operational environment. These constraints include interference

²² As defined in the third-party monitoring guidelines, triangulation of findings and validity checks represent the most effective way to verify the completeness, accuracy and validity of third-party monitor reports.

²³ MoDa is WFP's primary tool for data collection.



in humanitarian activities; violence against personnel and facilities; restrictions on movement of personnel within the affected community; and work restrictions on women humanitarian workers. These constraints resulted in instances of temporary and permanent programme suspensions during 2022.

127. The country office has dedicated resources to coordinate and manage humanitarian access and actively participates in all inter-agency forums. The country office maintains strong engagement with the local community and other stakeholders at all levels to facilitate effective access negotiations and has implemented an efficient mechanism for collecting, analysing and reporting access-related incidents.

128. The audit reviewed the maturity of access management structures and mechanisms established by the country office and observed dedicated resources; strong community engagement at the field level; regular reporting of best practices; and found no issues in managing access-related matters.

Treasury and cash management

129. Since August 2021, Afghanistan has been cut off from the global financial system and is subject to wide-ranging sanctions, impacting the flow of money into and out of the country. In response, the de facto authority has issued restrictions to the banking sector that limit the amount of funds that any individual or entity may withdraw at a given time. These events have significantly affected how WFP and other humanitarian actors operate.

130. Notwithstanding these limitations, WFP worked with the UNCT as part of the Inter-Agency Cash Management Working Group to find solutions enabling them to continue financially supporting their operations. To ensure a steady supply of funds to sustain its operations, WFP effectively forecasted its cash requirements and communicated these to the United Nations Assistance Mission in Afghanistan, which arranged for physical cash to be transported into Afghanistan and deposited into WFP's account at the Afghanistan International Bank. The Inter-Agency Cash Management Working Group also agreed with the de facto authority to exempt any withdrawal limits on new money brought into Afghanistan by the UN.

131. UN entities are also limited in how they can exchange USD to Afghanis (the only permitted currency in operation) and can only exchange currency through the Afghanistan International Bank at the rates established by the de facto authority through the central bank, Da Afghanistan Bank. The Finance unit analysed the offered exchange rates to optimize the rate and timing at which WFP funds were exchanged. Overall, WFP maintained a reasonable limit on funds deposited in Afghanistan to mitigate liquidity and foreign exchange risks.

132. The audit included a review of treasury and cash management operations, including how the country and area offices managed petty cash and operational cash advances. Considering the growing volume of operations in its area offices, the country office stationed several international finance consultants in these offices to strengthen oversight of financial operations.

133. There were no reportable issues in the management of treasury and cash management.



Annex A – Agreed Action Plan

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

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

#	Observation (number/title)	Area	Owner	Priority	Timeline for implementation
1.	Risk management and management oversight	Governance	Country office	Medium	30 September 2024
2.	Household targeting, prioritization and programme delivery	Programme design and implementation	County office	High	31 July 2024 30 September 2024
3.	Community feedback mechanisms	Accountability to Affected Populations	Country office	Medium	31 December 2024 30 September 2024 31 December 2024
4.	Identity management and data protection	Identity management	Country office	High	31 July 2024 30 September 2024 31 December 2024 30 September 2024
5.	Cash-based transfers governance and set-up	Cash Based Transfers	Country office	High	31 July 2024
6.	Cash-based transfer delivery and reconciliation	Cash Based Transfers	Country office	High	31 July 2024
7.	Logistics	Supply chain	Country office	Medium	31 December 2024
8.	Non-governmental organization management	Non-governmental organization management	Country office	Medium	30 November 2024
9.	Monitoring	Monitoring	Country office	Medium	30 September 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 take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

Low-priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low-priority actions are not included in this report.

Typically audit observations can be viewed on two levels: (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.²⁴

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's operations.

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

When using this option, the Office of Internal Audit continues to ensure that the office in charge of the supervision of the unit 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

CBT	Cash-Based Transfer
COMET	WFP's Country Office Tool for Managing (programme operations) Effectively
CP	Cooperating Partner
FSP	Financial Service Provider
IPC	Integrated Food Security Phase Classification
LESS	Logistics Executions Support System
mt	Metric Ton
NGO	Non-Governmental Organization
RMU	Risk Management Unit
SCOPE	WFP beneficiary information and transfer management platform
UN	United Nations
UNCT	United Nations Country Team
UNICEF	United Nations Children's Fund
USD	United States dollars
WFP	World Food Programme