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# Internal Audit of WFP Operations in Myanmar

Office of the Inspector General  
Internal Audit Report AR/24/16



World Food  
Programme

September 2024



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## I. Executive summary

### WFP Myanmar Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Myanmar. The areas in the audit scope included: risk management and management oversight, budget and programming, programme design and implementation of selected activities, assessment and beneficiary targeting, identity management and digital solutions, community feedback mechanisms, and humanitarian access. In addition, the audit carried out tailored reviews of external stakeholder relations management and communication, finance, non-governmental organization management, monitoring activities, cash-based transfers, and security.
2. The audit covered the period from 1 January 2023 to 31 December 2023. Assurance activities initiated by the country office in 2024 were noted in so far as they contribute in their design to address gaps in WFP's global assurance standards. At the time of the audit reporting, however, their operating effectiveness could not be tested and confirmed.

### Audit conclusions and key results

3. 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 adequately mitigated.
4. The political and operational context in Myanmar is complex. Insecurity and access limitations associated with a fluid active conflict and natural disasters imposed significant constraints to WFP operations and limited its presence in the field. Despite these challenges, WFP delivered life-saving emergency relief assistance to 1.46 million conflict and crisis-affected people and assisted 400,000 beneficiaries under its school feeding, livelihood and other programmes. Where possible, the country office relied on partners to perform key process activities and detective controls over programme implementation and monitoring. However, as of the audit fieldwork, this was not possible in some areas of operation.
5. In March 2024, WFP's Deputy Executive Director visited Myanmar together with the regional director to support the country team, meet with stakeholders to push for improved humanitarian access, and help draw attention to the humanitarian crisis in the country. In his meetings with donors, the Deputy Executive Director highlighted the risks and challenges in responding to needs in conflict-affected areas and advocated for increased communication with donors especially on risk sharing.
6. The audit report contains the following four high priority observations with agreed actions:
  7. Implementation issues related to the Assurance Action Plan (Observation 1): The active conflict, increasing access restrictions and limited headquarters support in system development impacted the design and implementation of some actions of the WFP country office assurance action plan. The potential non-implementation of mitigation actions will require an assessment of the impact on the achievement of the minimum assurance standards; the residual risks; and effectiveness of the control environment.
  8. The country office developed a guidance to escalate operational risks at the highest levels of the organisation for clear risk acceptance internally and vis-à-vis the donors. The residual risks related to beneficiary targeting and identity management as well as non-governmental organization management and monitoring remained high and should be fully reflected in the risk escalation guidance. At the time of the audit reporting, risk sharing with donors through the operational risk escalation process has not been formalized, although the country office had regular discussions with donors on risks and operational challenges.
  9. Limited beneficiary targeting and digitization of identity management (Observation 3): Beneficiary targeting had not yet entirely transitioned from status-based to vulnerability-based even in camps assisting protracted



internally displaced people due to repeated conflicts, increasing access constraints, and natural disasters. Beneficiary registration relied on spreadsheet-based lists, limiting the country office's ability to carry out deduplication and validation procedures and cross-verify beneficiary data across wider areas and territories. Strengthening controls on identity management across operational areas is one of the country office's priorities in 2024.

10. Limited oversight and risk management of non-governmental organizations (Observation 5): Non-governmental organizations were responsible for the beneficiary management process, from registration and verification to distribution, reporting, and monitoring. Where access restrictions impeded independent verifications and monitoring by WFP, the segregation of duties was not always fully achievable due to the limited availability of non-governmental organizations in certain locations and did not prevent one entity from controlling the full process. There is a need to strengthen oversight and risk management of non-governmental organizations operating as transfer agents and managing substantial funds in conflict-affected areas.

11. Gaps in monitoring activities (Observation 6): In 2023, the country office had limited monitoring coverage, reaching only 48 percent of the total active sites. In 2024 and at the time of the audit, the country office implemented steps to increase monitoring coverage. The country office needs to strengthen its review and consolidation of monitoring plans and activities developed at field offices; and establish a systematic way to track, escalate, and follow up on monitoring issues. The country office plans to implement a case management system, as part of its assurance action plan, which will systematically track, review, and escalate monitoring issues.

## Actions agreed

12. The audit report also contains 3 medium priority observations. Management has agreed to address the reported observations and to implement the agreed actions by their respective due dates.

## Thank you!

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



## II. Country context and audit scope

### Myanmar

14. The Republic of the Union of Myanmar is a lower-middle-income country in Southeast Asia. It has a population of 56 million<sup>1</sup> and is home to more than a hundred ethnic groups. Myanmar ranked 144 out of 193 countries in the 2023-2024<sup>2</sup> human development index and ranked 162 out of 180 countries in the 2023 Transparency International Corruption Perception Index.<sup>3</sup>

15. Myanmar is suffering from political instability, conflict, displacement, and economic turmoil. In November 2020, there were elections which were followed by a military takeover in February 2021. This humanitarian crisis caused food insecurity and malnutrition, as well as protection risks linked to attacks on civilians, gender-based violence and the use of explosive ordnance. The crisis has also increased the number of internally displaced people (IDPs), with about 2.6 million in 2023. The insecurity and bureaucratic impediments caused by this crisis are severely constraining humanitarian access and impacting the delivery of assistance.

### WFP operations in Myanmar

16. In the audit period, WFP operations in Myanmar were implemented under the country strategic plan, initially covering the period from 1 January 2018 to 31 December 2022, later extended to 31 December 2023. The new interim country strategic plan, covering the period from 1 January 2024 to 31 December 2025, has four outcomes and was informed by the Myanmar humanitarian response plan for 2023 and aligned with the United Nations transitional cooperation framework for 2024-2025.

17. The new strategic plan's primary focus is on providing life-saving assistance for the increasing number of people affected by food insecurity and conflict in Myanmar. WFP will leverage its standing as the largest humanitarian organization in Myanmar and its strong relationship with partners working at the humanitarian-development-peace nexus to provide and facilitate support to those in need, in a context of escalating conflict and access challenges.<sup>4</sup>

18. The country office has about 365 staff, spread across the country offices (in Yangon and Nay Pyi Taw), 4 area offices, 3 field offices, and 5 operations.

19. In 2023, WFP delivered assistance mostly through activity 1 under strategic outcome 1 – *Provide unconditional food transfers and/or cash-based transfers to populations affected by crisis* and activity 3 under strategic outcome 2 – *Implement a comprehensive school feeding programme in targeted schools in support of the national programme*. These activities represented 87 percent of total direct operational costs and 99 percent of the total number of beneficiaries assisted in 2023.

### Objective and scope of the audit

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

21. The audit focused on the two main activities of the previous CSP: (1) Activity 1 which accounted for 82 percent of the total direct operational costs and 72 percent of beneficiaries in 2023; and (2) Activity 3 that, in 2023, accounted for five percent of the total direct operational costs and 22 percent of beneficiaries.

22. 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 Asia and the Pacific (hereinafter also "the regional bureau"). The regional bureau oversight and support missions covered monitoring (July 2023), cash-based transfer (December 2023), and supply chain (March 2024, report under draft). The latter reviewed the

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<sup>1</sup> United Nations Office for the Coordination of Humanitarian Affairs. 2023. [Humanitarian Needs Overview: Myanmar](#)

<sup>2</sup> [UNDP Human Development Report 2023-2024](#)

<sup>3</sup> [Transparency International's Corruption Perceptions Index 2023](#)

<sup>4</sup> Myanmar interim country strategic plan (2024-2025)

following areas: (a) procurement, including food safety, quality, and quantity; (b) logistics; and (c) supply chain cash-based transfers/retail. At the time of audit fieldwork, the supply chain oversight mission report was being finalized and recommendations were yet to be implemented. Therefore, this audit did not cover supply chain.

23. The cross-functional cash-based transfer oversight by the regional bureau was conducted in December 2023, resulting in several high and medium-risk observations. High-risk observations related to beneficiary information and identity management, data protection, non-governmental organizations (NGOs) serving as transfer agents, and reconciliation and foreign exchange rate management through NGOs. At the time of the audit fieldwork, the country office had finalized an action plan in agreement with the regional bureau to address these findings and as their implementation was ongoing, the audit discussed but did not assess their effectiveness.

24. WFP Myanmar underwent a corporate emergency evaluation, which (a) assessed WFP's work from September 2017 to December 2022<sup>5</sup> to meet accountability requirements; and (b) identified learning that informed the design of the new interim country strategic plan. The audit considered the timing and coverage of these missions/reviews in assessing engagement risks and determining the audit scope.

25. The resulting seven areas in scope for this audit were: (a) risk management and management oversight; (b) budget and programming; (c) programme design and operational effectiveness; (d) assessment and beneficiary targeting; (e) identity management and digital solutions; (f) community feedback mechanisms; and (g) humanitarian access. The audit also carried out tailored reviews of external stakeholder relations management and communication, finance, management of cooperating partners, monitoring activities, cash-based transfers, and security.

26. The audit testing also informed the following corporate or thematic assignments of the Office of Internal Audit's plan for 2024:<sup>6</sup> (i) the implementation of the country office assurance action plan that resulted from the corporate Global Assurance Project; (ii) Humanitarian access management; (iii) Security in field offices; and (iv) Proactive integrity review of foreign exchange fraud risks in field operations. The audit covered the period from 1 January 2023 to 31 December 2023.

### Figure 1: Areas in audit scope

#### Full Audit Coverage:



Risk management



Budget & programming



Programme design & operational effectiveness



Assessment & beneficiary targeting



Identity management & digital solutions



Community feedback mechanisms



Humanitarian access

#### Partial Audit Coverage:



External stakeholder relations management



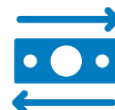
Finance



Management of cooperating partners



Monitoring



Cash-based transfers



Security

<sup>5</sup> The centralized evaluation report was issued in October 2023.

<sup>6</sup> Refer to [OIGA's Assurance Workplan 2024](#)



27. The audit mission took place from 6 to 23 May 2024 at the country office in Yangon and Nay Pyi Taw and included visits to Sittwe and Taunggyi. 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

28. The audit report contains four high and three medium-priority observations. Any other audit issues assessed as low priority were discussed with the office directly and are not reflected in the report.

#### *Country office assurance action plan*

29. In 2023, the WFP Global Assurance Project was rolled out with the objective of ensuring that the right people receive the assistance they need safely, in full, and without interference. The project aims to implement a Global Assurance Framework<sup>7</sup> to ensure more effective assurance and good-quality programming across WFP operations – from the start of the assistance until it reaches the intended recipients and to also monitor how the assistance has been used even after distribution.

30. In line with this corporate initiative, country offices classified as “high-risk operations”, including WFP operations in Myanmar, are required to complete key deliverables including a costed assurance action plan.<sup>8</sup> The country office assurance action plan, developed with the support of the regional bureau: (a) describes specific actions that the country office will implement to address critical gaps in the five main workstreams and cross-cutting areas (as defined by the country office) by the end of 2024; and (b) has a total cost of USD 2.1 million.

31. The audit reviewed the implementation of the Myanmar country office assurance action plan to ensure that it was informed by a gap analysis, designed to mitigate risks, costed, and monitored in terms of implementation status and cost; and whether issues were escalated. Issues observed with regards to the implementation of the assurance action plan are reported in [Observation 1](#). Activities initiated by the country office in 2024 were noted in so far as they contribute in their design to address gaps in WFP’s global assurance standards. At the time of the audit reporting, however, their operating effectiveness could not be tested and confirmed.

#### *Operational effectiveness*

32. The audit reviewed the country office’s operational effectiveness with a focus on: (a) programme effectiveness including whether the office met targets for output and outcome indicators; (b) resource management effectiveness to ensure resources were sufficient to meet operational objectives; and (c) process and controls effectiveness.

33. Overall, the country office achieved most of its output and outcome targets for 2023 and was on track to meet the 2024 targets established under its interim country strategic plan provided humanitarian access improves and armed conflict stabilizes. The 2023 implementation plan for WFP’s operations in Myanmar was sufficiently funded. Process and control effectiveness was assessed as requiring major improvement.

### Risk management and management oversight

34. From January 2023 to March 2024, the regional bureau conducted three management oversight missions in the areas of monitoring, cash-based transfers, procurement including food safety and quality, and logistics. In March 2024, the Myanmar country office, with the support from the Risk Management Division and the regional bureau completed a fraud risk assessment of its operations that focused on the following processes: (a) cooperating partner management; (b) cash-based transfers; (c) commodity management; and (d) procurement.

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<sup>7</sup> The framework consists of a set of four standards (with specific operational elements and processes under each standard) and eight minimum assurance measures. These standards and measures are relevant to all WFP general food assistance operations distributing in-kind and cash.

<sup>8</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.





*Positive Practice: donor conversations on risk-sharing and the country office's operational risk escalation*

35. In March 2024, WFP's Deputy Executive Director (DED) visited Myanmar together with the regional director to support the country team, meet with stakeholders to push for improved humanitarian access, and help draw attention to the humanitarian crisis in the country. In his meetings with donors, the DED highlighted not only WFP's work but also the risks and challenges in responding to needs in conflict-affected areas in a way that would not expose the safety and security of WFP staff and partners. The DED also advocated for increased communication with donors especially on risk sharing.

36. At the time of the audit fieldwork, the country office in coordination with the regional bureau, developed an Operational Risk Escalation document supporting operational decisions and activities in hard-to-reach areas taken in the context of Myanmar. It documents the constraints faced by the country office, the impact on the implementation of controls, and residual risks outside WFP risk appetite. It also presents a holistic set of identified risks linked to access constraints, risk response controls, and existing and potential new risk mitigation activities. At the time of the audit reporting, risk sharing with donors through the operational risk escalation process has not been operationalized, although the country office had regular discussions with donors on risks and operational challenges.

### Observation 1: Implementation issues related to the Assurance Action Plan

37. The country office developed its assurance action plan (also action plan) in the last quarter of 2023 following a gap analysis, with originally 73 action points later reduced to 70 to consider changes in the operating context and duplications. In early 2024, the country office communicated the action plan to donors. It also prepared monthly updates of its actions' implementation status.

38. As of 30 June 2024, the country office had implemented 26 actions (37 percent), was implementing 42 actions (60 percent), and had not started implementing two actions (3 percent).<sup>9</sup> There were indications that the country office would not be able to implement some actions within 2024, the timeline set by the Global Assurance Project. These delays were noted, among others, in the areas of targeting and prioritization, beneficiary identity management, and complaints and feedback mechanisms. Several actions<sup>10</sup> have not been implemented or have been delayed due to active conflict and increasing access restrictions. The implementation of two actions related to the country office's Unified Case Management System was rooted in delays in headquarters' support for system development.<sup>11</sup>

39. The impact of the delays and potential non-implementation of the assurance action points on achieving the minimum assurance measures by 2024 and on the risk and control environment of WFP's operations in Myanmar had yet to be assessed. The country office operational risk escalation guidance (see para.36) considered existing and new mitigation actions to reduce the high risks identified for each key process area, however, the new mitigation actions were not aligned and monitored with the existing mitigations of the action plan.

40. The country office had difficulty in systematically tracking actual assurance costs against the budgeted costs as the assurance action costs were integrated into the country office's implementation plan, mostly as recurring staff costs and ongoing operational expenditures.

<sup>9</sup> As highlighted in the country office's 2024 second quarter report on the Assurance Action Plan. As of 31 March 2024, the country office implemented 13 (19 percent) of 69 actions, was implementing 48 actions (70 percent), and had not started implementing eight actions (11 percent).

<sup>10</sup> For example, the beneficiary identity management digitization plans have been negatively affected and there has been limited progress on targeting and prioritization exercises for protracted relief beneficiaries.

<sup>11</sup> In 2024, the Office of Internal Audit will consolidate and report on corporate issues regarding the design and implementation of the Global Assurance Project and country offices' action plans.



Underlying causes: Strategy, mandate, and authority – unclear direction for reporting | External factors beyond WFP’s control – conflict, security, and access; donor requirements | Policies and procedures – absence of local guidelines.

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

The country office will:

- (i) In its quarterly revision of the assurance action plan implementation, identify the action points that cannot be implemented in 2024, assess what mitigation actions should be put in place to align with the global assurance standards, and share the updated plan with the Global Assurance Team.
- (ii) Ensure the impact on the risk and control environment of WFP’s operations in the country continues to be reflected in the risk register and escalated to senior management at headquarters.
- (iii) Regularly monitor the implementation status of new mitigation actions in the operational risk escalation document.

#### **Timeline for implementation**

31 October 2024

### **Observation 2: Absence of risk tracking and reporting and limited review of field offices**

*Risk management: risk monitoring, reporting and capacity*

40. The number of risks listed in the 2023 mid-year risk register marginally increased from 21 to 24 compared to the beginning of 2023, with high-rated risks representing 33 percent in both risk registers. Management discussions of risks in the register (and whether the actions were effectively mitigating/reducing them) were not comprehensively documented, and there was no central repository for evidence of action implementation. There were no periodic risk reports to highlight key risks and control information for country office management decision-making and possible escalation.

41. Two senior managers (the deputy country director for operations and the head of programme) were the country office risk focal points and there was no dedicated risk officer to regularly support and work with process owners and functional units throughout the risk management lifecycle (risk identification, assessment, mitigation, monitoring which then feeds back to risk identification). Given the emphasis on risk management and risk-sharing with donors as well as the demands of tracking the assurance action plan implementation, including regular assessments of residual risks, the country office should further build the capacity of its risk management function.

*Review of field office functional activities*

42. The country office had limited functional review missions to field offices validating activities at the procedural level and assessing whether these were complying with standard operating procedures (see also [Observation 7](#) on monitoring plan and coverage).<sup>12</sup> Considering that many activities are decentralized to the field offices, these functional reviews would provide assurance to country office management that procedures and documentation are consistently applied and implementation gaps are addressed in a timely manner.

Underlying causes: Process and planning – inadequate risk management | Resources – insufficient staffing level in the risk management function | Process and planning – inadequate functional review process | External factors beyond WFP’s control – conflict, security, and access.

<sup>12</sup> In 2023, the country office conducted management oversight missions to field offices for two to three days (per office) covering multiple programme and operational matters including visits to camps with no detailed functional reviews.



### Agreed Actions [Medium priority]

The country office will:

- (i) Enhance risk monitoring and reporting by establishing periodic, structured, and documented risk reporting process including management discussions on risks and controls as well as mitigation actions and their implementation.
- (ii) Consider a dedicated resource to support the workload of the senior staff members and ensure all risk management activities are documented and monitored.
- (iii) Increase functional reviews, including spot checks of field offices.

### Timeline for implementation

31 December 2024

## Targeting and identity management

43. The 2024 Myanmar Humanitarian Needs and Response Plan<sup>13</sup> showed that the acute food insecurity situation was highly concerning, as communities were continuously affected by shocks, including conflict, cyclones, floods, and inflation. This required urgent intervention to protect and save lives and livelihoods and to reduce food consumption gaps.

44. In the first quarter of 2024, the country office finalized a beneficiary targeting strategy highlighting the need to transition from status-based to vulnerability-based assistance. The country office's priority in 2024 is the provision of targeted assistance across operational areas. However, the escalation of conflict and increasing access constraints have disrupted the continuation of targeting activities in several locations.

### Observation 3: Limited beneficiary targeting and digitization of identity management

#### *Beneficiary targeting and prioritization*

45. Following the military takeover in early 2021, in-country movement restrictions were tightened, making it very difficult for the country office to obtain the required travel approvals to conduct needs assessments and support the shift from status-based to vulnerability-based targeting. In 2022 and 2023, some of the planned assessments and targeting exercises, for example in central and northern Rakhine especially for IDPs, were interrupted because of the repeated conflicts and natural disasters.<sup>14</sup>

46. In 2023, a total of 1.46 million beneficiaries received unconditional food and cash transfers. At the time of the audit fieldwork, assistance to beneficiaries, even in protracted IDP camps, had not fully transitioned from status-based to vulnerability-based targeting.

47. The country office's assurance action plan articulates its targeting priorities, key risks, and seven related mitigation actions. These, at the time of the audit mission, were all ongoing with three delayed due to conflict escalation.

#### *Planned digitalization of beneficiary management*

48. The country office carried out beneficiary registration, verification, and reporting (including reconciliation activities) manually using multiple forms. Beneficiaries receiving assistance were registered using spreadsheet-

<sup>13</sup> <https://www.unocha.org/publications/report/myanmar/myanmar-humanitarian-needs-and-response-plan-2024-december-2023-enmy>

<sup>14</sup> Targeting activities in Rakhine state started in 2022 and were interrupted by conflict in late 2022, Cyclone Mocha in May 2023, and most recently by the escalation of conflict and access restrictions since October 2023.



based lists, which limited the country office's ability to carry out manual deduplication and validation procedures of beneficiaries and cross-verify them across wider zones and territories.

49. Post-distribution-related forms received by the country office from field offices contained aggregated beneficiary numbers per field office. There was no evidence that country office teams were verifying and reconciling the consolidated numbers against individual forms per distribution site from field offices. At the time of the audit reporting, the country office indicated that it had revised the current forms to include standard reconciliation reporting at the recipient level and is sensitizing cooperating partners to the new monthly reporting templates.

50. The country office, under its assurance action plan, plans to digitalize 100,000 beneficiaries using SCOPE in 2024.<sup>15</sup> However, this would not suffice to mitigate the risks associated with manual identity management activities for the rest of the beneficiaries receiving unconditional food and cash transfers. The residual risks of beneficiary duplications, data manipulation, and inclusion and exclusion errors remain high and should be considered in the country office's operational risk escalation guidance and its conformance with WFP's global assurance standards (see [Observation 1](#)).

Underlying causes: External factors beyond WFP's control – conflict, security, and access; government restrictions | Process and planning – inadequate oversight process | Tools, systems and digitization – late adoption of SCOPE.

#### **Agreed Action** [High priority]

The country office will develop and implement measures to strengthen beneficiary information management controls supplementing the planned beneficiary registration in SCOPE. These include: (a) beneficiary and identity management focusing on consolidation of beneficiary lists from cooperating partners and field offices; (b) WFP taking control of payment lists to improve segregation of duty and conducting recipient-level reconciliation to enhance assurance; and (c) mapping and quantifying beneficiary caseloads that do not meet WFP's global assurance standards.

#### **Timeline for implementation**

31 October 2024

## **Resource Management**

51. The audit reviewed the country office's processes to: (a) manage and monitor the availability of resources and allocation of funds to activities; and (b) engage with donors and examine key controls related to resource mobilization, provision of updates and information, and overall management of donor relations.

52. In 2023, the Resource Management Committee convened only once and identified numerous urgent actions without establishing specific completion timelines. In 2024, most communications with activity managers were conducted through emails and bilateral meetings rather than through regular committee sessions.<sup>16</sup> The committee's infrequent meetings led to delays in decision-making as urgent actions (such as refinancing activities and timely review and allocation of expiring grants) were not addressed promptly. At the time of the audit mission, the country office was taking steps to address this gap.

## **Finance**

53. In the audit period, the country office did not process invoices from non-governmental organizations through the corporate invoice tracking system, as per corporate guidance. Instead, the country office processed

<sup>15</sup> As reported in the 2024 Q1 report, the country office has electronically registered 65 percent of the targeted 100,000 beneficiaries in SCOPE.

<sup>16</sup> The lack of regular RMC meetings was also highlighted during the regional bureau oversight mission in 2022.



the invoices directly in WFP's accounting system (WINGS) which does not feature the same automated controls for, among other things, fraud prevention. In 2024, the country office addressed the issue.

#### Observation 4: Counterparty risk and lack of competitive bank selection process

##### *Counterparty risk*

54. Considering the country's operating context and banking regulations, the country office established a contingency fund, approved by the headquarters, subject to regular monitoring of counterparty risks. There was no specific guidance to the country office on managing the risk within the existing corporate framework. The country office did not adopt any measures to handle the counterparty risk.<sup>17</sup> In 2023, the country office held cash balances amounting to USD 21 million in a single bank and was exposed to potential losses if the bank failed during that period. However, this risk exposure decreased in 2024 as the country office reduced these bank balances to a range of USD 4 to 5 million.

##### *Bank selection process and contracting*

55. In 2021, due to the banking system crisis that limited the availability of fully operational banks, the country office, in consultation with the headquarters Treasury service, selected a bank<sup>18</sup> without documenting the waived competitive process and the justification for sole sourcing. The country office operated without a formal agreement with the bank, further increasing its counterparty risk exposure. In August 2024, the country office approved a post-factum waiver to retroactively formalize the procurement of banking services in February 2021. Additionally, in July 2024, the country office opened a new account with another local bank being used by other UN agencies.

##### *Sourcing of local currency*

56. In 2023, the country office regularly procured local currency without a competitive sourcing process and used its only bank to perform foreign exchange transactions. While operating within the restrictions and limitations of the local banking sector, the country office avoided moving funds between financial institutions, but in the process, it relied on a single trader with risks of spread manipulations and reduced WFP's ability to secure the most competitive rates. There is an opportunity to establish a competitive foreign exchange process that considers various contextual risks such as local currency volatility, the stability of banking partners, and the regulatory environment. In July 2024 with a newly opened bank account with another local bank, the country office started a competitive conversion process by obtaining quotations from two banks.

Underlying causes: Policies and procedures – inadequate corporate guidelines | Oversight and performance – insufficient oversight from management | External factors – government restrictions on the banking sector.

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

The country office will:

- (i) In coordination with the headquarters Treasury service, establish a process for monitoring the counterparty risk associated with the banking services.
- (ii) In coordination with the headquarters Treasury service, determine the best course of action for selecting banking services to adhere to corporate guidance on bank selection process.
- (iii) In coordination with the headquarters Treasury service and Legal office, establish a contract with the banking service provider.

<sup>17</sup> The headquarters Treasury section assessed the bank in 2023. However, it did not inform the country office about the assessment nor provide mitigating actions to address the counterparty risk.

<sup>18</sup> According to the country office, the bank was selected based on its ability to operate in areas where WFP had field offices, and the competitive process was bypassed due to an urgent operational need to open a bank account.



(iv) In coordination with the headquarters Treasury service, assess possibilities for establishing a competitive process for sourcing local currency.

#### Timeline for implementation

31 December 2024

*The country office implemented points (ii) and (iv) of the agreed actions prior to the issuance of the audit report.*

## Management of non-governmental organizations

57. The audit reviewed the governance and oversight of non-governmental organization (NGO) management, partner selection, including due diligence, capacity assessment and performance evaluation across area and field offices.

### Observation 5: Limited oversight and risk management of non-governmental organizations

#### *Non-governmental organizations as transfer agents*

58. The significant role of NGOs acting as transfer agents, managing substantial funds in conflict-affected areas, and ensuring liquidity at distribution points has increased the risk profile associated with their activity. At the time of the audit reporting, the country office developed a guidance note for cooperating partners as transfer agents.<sup>19</sup>

59. Field offices performed risk assessments for NGOs, including identification of mitigation actions, before signing a field-level agreement. However, the identification of risk levels was not always adequate, raising concerns about the effectiveness of the mitigation measures. Furthermore, there was no formal framework in place to monitor these measures effectively.

60. The country office was working with local NGOs at the township level in hard-to-reach areas and had limited oversight capabilities due to access constraints. These local NGOs are considered riskier, posing greater challenges in effectively monitoring their activities. In October 2022, Myanmar's Registration of Association Law introduced strict regulations, further limiting the presence and operability of international and national NGOs. This increased the role of local NGOs at the township level in delivering humanitarian assistance. This shift has also limited the country office's ability to ensure segregation of duties as required by corporate guidance.

#### *Segregation of duties*

61. The contracted NGOs carried out all steps of the delivery process, from beneficiary registration and verification to distribution, reporting, and monitoring. For approximately 60 to 70 percent of WFP operations, the country office retained an adequate level of control, through targeting, independent verification and monitoring, which allowed it to manage and supervise NGOs effectively. However, for the remaining part of the operations, WFP's ability to verify and monitor NGOs was limited and did not ensure effective NGO supervision nor proper segregation of duties in the end-to-end delivery process.<sup>20</sup> At the time of the audit reporting, the country office finalized standard operating procedures for cooperating partners acting as cash transfer agents outlining: (a) end-to-end business processes involving different functional units and field offices; and (b) segregation of duties in field operations.

#### *Limited oversight and risks associated with NGOs*

62. The country office did not perform cross-functional spot checks of NGOs. In hard-to-reach areas due to accessibility and security concerns, field offices selected NGOs with limited partner landscape scanning and

<sup>19</sup> Launched in July 2024, the guidance note aims to standardize the contracting and cashflow management processes of WFP cooperating partners. It also provides the basis for field offices to monitor and build capacity of their respective partners.

<sup>20</sup> WFP's global assurance standards require clear segregation of duties to ensure that one entity does not control the full process of assisting beneficiaries.



selection processes, including publicly available calls for proposals.<sup>21</sup> Field offices exchange information with available actors on the ground in different forums.

63. Overall, the residual risks in the management of NGOs remain high.

Underlying causes: External factors beyond the control of WFP – conflict, security and access; government restrictions | Process and planning – inadequate risk management | Insufficient partner capacity.

#### Agreed Actions [High priority]

The country office will:

- (i) Develop an action plan: (a) to enhance the oversight and monitoring of local non-governmental organizations, considering their higher risk profile and the country office's access constraints; and (b) assess and implement mechanisms to ensure segregation of duties, or implement alternative mitigation measures where segregation of duties cannot be fully achieved.
- (ii) Strengthen its process to review risk assessments of non-governmental organizations undertaken by field offices and establish a framework for monitoring mitigation measures.
- (iii) Perform regular cross-functional spot-checks of non-governmental organizations to ensure compliance and operational effectiveness.
- (iv) Implement more transparent methods for selecting non-governmental organizations, ensure adequate oversight of the selection process.

#### Timeline for implementation

31 October 2024

*The country office implemented point (ii) of the agreed action prior to the issuance of the audit report.*

## Monitoring

64. The country office Research Assessment and Monitoring (RAM) unit's functions include vulnerability analysis and mapping (VAM) and monitoring and evaluation (M&E). The Head of RAM reports to the Head of Programme. The M&E function includes four staff members at the country office plus 91 monitoring staff across all field offices. The country office used the corporate data collection tool (MoDA) for programme monitoring and has developed a monitoring strategy.

65. The regional bureau conducted a monitoring oversight mission to Myanmar in July 2023 and raised 11 recommendations. At the time of the audit fieldwork, the country office implemented seven recommendations and four were ongoing.

66. 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 6: Gaps in monitoring activities

#### *Monitoring plan and coverage*

67. The three field offices reviewed did not have a risk-based and consolidated monitoring plan in place. Each field monitor planned their monitoring visits based on the distribution plans approved by the de facto authorities. The offices indicated they could not plan differently due to the constantly changing security and access situation in the country.

<sup>21</sup> The cooperating partner committee at the country office level reviews recommended partners by field offices and submits its final recommendations to the country office management for approval.



68. The country office monitoring team had low visibility of the field offices' monitoring activities and coverage of distribution points; and there were no regular coordination meetings nor systematic involvement in the planning of field office monitoring activities.

69. While the country office has set up a spreadsheet tracking planned visits for the upcoming month and actual distribution points monitored, the field offices did not update this spreadsheet in a timely manner, further limiting the country office's visibility. For instance, in May 2024, the spreadsheet tracker for 2024 was still not available.<sup>22</sup>

70. In 2023, the country office had limited monitoring coverage with only 48 percent of the total active sites monitored, either through in-person visits or remotely. Further, the field monitoring staff had operational roles in programme implementation, resulting in a conflict of interest and de-prioritization of monitoring.

#### *Monitoring systems and tools*

71. The country office was not able to use tablets with the MoDA questionnaire in all its distribution points due to multiple factors. In some cases, distribution monitoring data and observations were encoded into MoDA only after the monitors' field visits. In addition, eight out of the ten distribution monitoring reports reviewed were not dated, did not include preparer names, and had inconsistent format and sections. The absence of these details makes it difficult to verify the contents of the reports.

72. There was no systematic way to track, escalate, and follow up on monitoring issues. Instead, the field monitors included monitoring observations and recommendations in their back-to-office reports. The audit could not ascertain whether the observations reported were addressed. The country office indicated that this issue will be addressed once the Unified Case Management system is implemented.

Underlying causes: External factors beyond the control of WFP – conflict, security, and access | Oversight and performance – insufficient oversight from management | Tools, systems and digitization – limited integration of tools and systems.

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

The country office will:

- (i) Establish a CO-management led oversight process to: (a) regularly and systematically review and consolidate field office monitoring plans, taking into consideration monitoring risk indicators; (b) regularly update the tool that tracks planned visits for the upcoming month and distribution points monitored; and (c) strengthen review of monitoring coverage rate and spread.
- (ii) Develop an action plan to ensure that the results of manual distribution monitoring are encoded into MoDA.
- (iii) Standardize distribution monitoring documentation to include: (a) standardized sections to facilitate review and system upload; (b) names of preparers and approvers; and (c) date of issuance.
- (iv) Conduct a comprehensive staff structure review, specifically focusing on WFP field offices to ensure segregation of duties among monitoring and programme implementation functions.
- (v) Ensure adequate partner monitoring system in place to further ensure minimum monitoring coverage and segregation of duties.
- (vi) Following corporate roll-out of the Unified Case Management system, establish standardized monitoring issues tracking, escalation, and follow up.

#### **Timeline for implementation**

- (i – iv) 31 December 2024
- (v) 31 October 2024
- (vi) 31 March 2025

<sup>22</sup> The office indicated that it was not available because it was being updated according to the latest minimum monitoring requirements.





## Community feedback mechanisms

73. The audit reviewed the local community feedback mechanisms (CFM) in the country office, against WFP corporate standards, which relate to: (a) reach and accessibility; (b) minimum data collection; (c) case handling procedures; (d) information management system; (e) analysis, reporting and tracking of feedback; (f) and quality assurance procedures.<sup>23</sup>

### Observation 7: Weaknesses in community feedback mechanisms

#### *Data quality issues in SugarCRM*

74. The country office used WFP's corporate tool, SugarCRM, as its feedback information management system and received inputs from six channels: helplines, email, text message, internet-based messaging application, helpdesks, and suggestion boxes. CFM operators and focal points inputted the complaints and feedback received into the SugarCRM system, with a risk of errors. Data quality issues in SugarCRM included: (a) cases of incorrect priority rating assigned, such as alleged fraud cases marked as low priority; (b) closed cases where the resolution is not stated; (c) inaccurate dates; and (d) cases marked as closed yet the resolution indicated that action will be taken, so the actual resolution (if any) was unknown.

#### *Limited capacity supporting CFM*

75. At the time of audit fieldwork, there were three full-time operators plus 13 focal points (13 field monitors who also have to perform their regular monitoring duties) across all suboffices to support community feedback processes. There was insufficient capacity to handle the large number of incoming cases – in 2023, there were over 18,000 cases received. This capacity issue was also raised by one field office during an oversight mission carried out by the country office. In May 2024, the country office conducted workforce planning as part of the Unified Case Management system's design.

#### *Segregation of duties at helpdesks and other gaps in the CFM process*

76. One of the country office's channels to receive beneficiary feedback and complaints and ask questions are helpdesks located at distribution points. These helpdesks are operated by the same cooperating partner that manages the distribution of assistance. This increases the chances that feedback or complaints about the cooperating partner will not reach WFP, as acknowledged in the country office's standard operating procedures for CFM.

77. The audit also noted the following: (a) during the audit's visit to one distribution point, there was no helpdesk in place for beneficiaries to submit their feedback or complaints or ask questions; (b) one out of three field offices interviewed by the audit was not sure how to escalate sensitive CFM cases. There is an opportunity to update the country office's standard procedures on Protection from Sexual Exploitation and Abuse to guide field offices in escalating sensitive cases; and (c) calls are not toll-free – beneficiaries are encouraged to leave a missed call to avoid being charged.

Underlying causes: Resources – insufficient staff training | Policies and procedures – inadequate local guidelines | Resources – insufficient staffing levels | Oversight and performance – insufficient oversight from management.

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

The country office will:

- (i) Provide training to CFM operators and focal points to raise their awareness on the escalation protocol of sensitive cases.
- (ii) Develop an action plan to systematically clean up and update CFM data in SugarCRM including: (a) a process to flag and address data quality issues; and (b) staffing needs assessment to ensure sufficient capacity to timely address CFM cases.

<sup>23</sup> WFP Community Feedback Mechanism – Standards, Guidance & Tools - January 2024



(iii) Review the management of helpdesks and develop an action plan to ensure segregation of duties are mitigated in helpdesks.

(iv) Establish a toll-free helpline.

**Timeline for implementation**

(i) 31 October 2024

(ii – iv) 31 March 2025

## Humanitarian access management and security

78. Obstructions to humanitarian access in Myanmar include among others: security, administrative impediments, engagement and coordination issues with different actors and stakeholders, restrictions on cooperating partners, financial regulations, and data gathering for assessments and monitoring.

79. The audit reviewed the following: (i) staff roles and responsibilities; (ii) the process in managing access dilemmas; (iii) internal reporting and communication protocol; (iv) access strategy; (v) coordination with other agencies; (vi) knowledge management including lessons learned; and (vii) level of support from HQ/regional bureau. There are no reportable findings in this area.



## 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	Implementation issues related to the Assurance Action Plan	Risk management and management oversight	Country office	High	31 October 2024
2	Absence of risk tracking and reporting and limited review of field offices	Risk management and management oversight	Country office	Medium	31 December 2024
3	Limited beneficiary targeting and digitization of identity management	Targeting and identity management	Country office	High	31 October 2024
4	Counterparty risk and lack of competitive bank selection process	Finance	Country office	Medium	31 December 2024
5	Limited oversight and risk management of non-governmental organizations	Management of non-governmental organizations	Country office	High	31 October 2024
6	Gaps in monitoring activities	Monitoring	Country office	High	(i – iv) 31 December 2024 (v) 31 October 2024 (vi) 31 March 2025
7	Weaknesses in community feedback mechanisms	Community feedback mechanisms	Country office	Medium	(i) 31 October 2024 (ii – iv) 31 March 2025



## 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>24</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>24</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>CFM</b>	Community feedback mechanisms
<b>DED</b>	Deputy Executive Director
<b>IDP</b>	Internally displaced people
<b>MoDA</b>	Corporate data collection tool
<b>NGOs</b>	Non-governmental organizations
<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