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Follow-up Review of the Implementation of Agreed Actions from the 2023 Internal Audit of WFP Operations in Madagascar

Office of the Inspector General

Follow-up of Audit Report
AR/24/24

WFP
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I. Executive Summary

Introduction

1. As part of its annual workplan, the Office of Internal Audit conducted a follow-up review of the implementation of agreed actions from the December 2023 Internal Audit of WFP Operations in Madagascar (AR/23/21)[1] rated *Ineffective / unsatisfactory*, i.e., internal controls, governance, and risk management practices were not adequately established and not functioning well. The audit report made seven high-priority and three medium-priority observations with 20 related agreed actions due in 2024.

2. The review team conducted the remote fieldwork from 25 November to 6 December 2024.

Status of agreed actions

3. The country office committed resources and substantial efforts to address the agreed actions in 2024 and meet implementation timelines. In addition, the Regional Bureau for Southern Africa and technical units in headquarters undertook various support and oversight missions in the Madagascar Country Office for several high-risk areas.

4. The 2023 audit noted concerns about the workplace environment and staff relations, which were escalated to relevant headquarters units. Delays in critical staff decisions and workplace issues might have contributed to the higher risk exposure and control weaknesses in different areas. The audit found weak governance and risk management practices, leading to increased exposure to operational and fraud risks in programme implementation. There were sub-optimal safeguards on beneficiary selection and assistance, limited digitalisation over the delivery chain, poorly designed controls, and weak monitoring, which resulted in insufficient assurance over cash and food transfers.

5. The partial application of corporate standards to third-party risk management, outdated rosters, infrequent due diligence, and weak evaluation processes increased the risk of working with poor-performing vendors and partners and the risk of collusion. Complex and inefficient invoice and payment processing led to increased opportunities for fraud by third parties. Finally, limited controls in transport resulted in unoptimized use of resources and increased transporter fraud risks.

6. Of the 20 agreed actions, 19 are implemented and closed (95 percent), corresponding to six high-priority and three medium-priority observations. There is one remaining open action for the Supply Chain and Delivery Division regarding the digitalization of the delivery process. As of December 2024, some efforts are underway. Nonetheless, final closure of the action is pending implementing the new Payment Instrument Tracking system and undertaking support mission to the country office in 2025.

7. The Office of Internal Audit acknowledges efforts by the country office, in consultation with the regional bureau and headquarter units, to initiate a series of actions to improve its workplace environment and staff well-being in 2024.

8. Details of observations, actions taken, and the conclusions of the follow-up review are provided in Tables 1 and 2.

9. The Office of Internal Audit would like to thank management and staff for the assistance and cooperation accorded during the follow-up review.

[1] https://www.wfp.org/audit-reports/internal-audit-wfp-operations-madagascar-december-2023

II. Context and scope

Madagascar

10. Madagascar is the world's fourth largest island and a low-income country facing endemic poverty, climate and economic shocks. With a population of 30.3 million, in 2022, 75.2 percent of the national population was categorised as poor. Climate change has exacerbated the country's vulnerability to weather shocks, including cyclones, tropical storms, and droughts that damage food crops, livestock, and infrastructure. In less than two years, Madagascar has been hit by several cyclones, including Cyclone Freddy (2023), which made landfall twice. Due to prolonged droughts, according to the latest IPC analysis[2], 1.3 million people face acute food insecurity in the Grand Sud and Grand Sud-Est.[3]

WFP operations in Madagascar

11. The Country Strategic Plan (CSP)[4] was approved for the 2019–2024 period. The CSP had an initial budget of USD 297 million. Through five budget revisions, the country office increased its budget to USD 655 million. The budget for the emergency response under Strategic Outcome 1 has increased from USD 128 million to USD 448 million since the inception of the strategic plan.[5] Between 2022 and early 2023, the country office was classified in the Corporate Attention Phase.

12. In 2023, the country office assisted 3.2 million individuals, including 19,000 persons with disabilities. This was a 13 percent increase in people assisted compared to 2022 and 141 percent of the planned caseload. WFP collaborated with the government to assist people in southern Madagascar during cyclones and droughts, providing food assistance and cash transfers to 2 million people across 27 affected districts.[6]

13. Following the 2023 internal audit, the country office enhanced its governance, control and risk management in multiple areas. The update of standard operating procedures (SOP) and review of processes in diverse areas (i.e., targeting, cash-based transfer, finance, monitoring, community feedback mechanisms, partner management and supplier management) effectively addressed the gap identified in the 2023 audit and yielded overall improvements in governance mechanisms, risk management and controls over key processes.

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[2] Madagascar : Analyse IPC de l'insécurité alimentaire aiguë et de la malnutrition aiguë Octobre 2023 - Septembre 2024, January 2024

[3] WFP Madagascar Country Brief May 2024

[4] Madagascar country strategic plan (2019–2024)

[5] Madagascar Country Strategic Plan (2019-2024), revision 05, December 2023

[6] Madagascar Annual Country report 2023

Objective and scope of the follow-up review

14. The objective of the follow-up review was to determine the extent to which the actions agreed in the 2023 internal audit of WFP operations in Madagascar have been implemented and risks reported effectively mitigated.

15. This involved a review of available documentation, interviews, and consultations with the Madagascar Country Office, the Regional Bureau for Southern Africa, and relevant headquarters divisions to verify the implementation of the agreed actions. The Office of Internal Audit verified and documented the implementation of the agreed actions through its system to monitor the implementation of agreed actions. The Office of Internal Audit tracks all medium- and high-risk observations to ensure that management actions are implemented within the agreed timeframe to manage and mitigate identified risks, thereby contributing to the improvement of WFP's operations.

16. The verification process followed standard internal audit practices and was in line with the Office of Internal Audit guidelines. The guidelines provide for follow-up reviews of internal audits that the Office of Internal Audit rated 'unsatisfactory' (see Annex A for definitions of audit ratings). The follow-up review procedures and tests were designed to assess the progress of implementation of the agreed actions and not for the purpose of expressing an opinion on the effectiveness of the Madagascar Country Office, its operations, and internal controls.

17. The review was carried out in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors.

18. Annex A outlines the categories used to determine the status of implementation of the agreed actions based on the 2023 internal audit.

III.Results of the follow-up review

Table 1: High-priority Observations

Audit report observation 1: Workplace environment issues as from AR/23/21
Interviews conducted during audit fieldwork phase disclosed managerial and staff relation issues, which impacted the workplace environment. Following the field mission, the audit team consulted with various headquarters units, including the Ombudsman regarding its recent visit in May 2023, Staff Relations, the Ethics Office, Staff Wellness, and a previous employee from the country office. These consultations confirmed concerns of inappropriate behaviour from some levels of management, which have been relayed to the Office of Inspections and Investigations. Similar issues had been already reported to the Human Resource Staff Relations unit, which resulted in a remote mission in June 2023. Staff Relations spoke to 11 colleagues including nationals and internationals, who reported concerns on inappropriate behaviour and communication style. The increasing number of cases relayed to OIGI in 2023 are also indicative of workplace issues that require assessment. These issues may have impacted the morale and well-being of staff. These may have limited their confidence to speak up, undermined their ability to perform duties. Delays in key people decisions around the organizational alignment and number and contract period of short-term personnel (see Observation 2: Ineffective risk management, committees and procedures) may have further contributed to the higher risk exposure to the country office operations and control weaknesses outlined in the report. Further efforts are required to understand the issues with middle management. Necessary actions by the Workplace Culture Department to address this issue have already been executed in the audit reporting phase (refer to agree action 1 below). By the time of the audit report issuance, the Regional Bureau had undertaken a mission to review human resource and workplace culture issues in October 2023 and developed an improvement plan. Underlying cause(s): Workplace culture and conduct risk not yet comprehensively assessed and addressed; top-down performance assessments not effective in capturing staff relation or conduct issues; and insufficient management accountability in monitoring and escalating conduct issues.

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
1. The Assistant Executive Director ad interim, Workplace Culture, will deploy a cross-functional follow-up mission with relevant team members to comprehensively review the situation in the country office and provide the necessary support to the country office team.	A joint headquarters and Regional Bureau mission led by the Human Resources Deputy Director ad interim with the Regional Director was deployed to country office in August 2023 to assess the situation and raise awareness on behavioural standards, prevention and reporting mechanisms for inappropriate or abusive conduct.	Closed
• Additional efforts of the country office	The country office has initiated various actions to enhance workplace environment and staff well-being with support from the Regional Bureau for Southern Africa and headquarters, as well as through its own initiatives. In October 2024, the Regional Bureau for Southern Africa Human Resources team visited the country office and the headquarters Ombudsperson's Office visited in early November 2024. The country office initiated a series of reforms since February 2024 including: • An action plan to improve workplace culture and well-being. • All staff and individual unit retreats as well as staff events to strengthen the workplace environment. • A shift to appropriate and secure contract types, reducing short-term contracts while increasing more stable ones as well as an increased focus on valuing local talent and providing professional development opportunities for national staff. • Enhanced focus on safety and security for staff, including upgrades to premises and implementing regular medical visits for field staff.	Not applicable
2. The Assistant Executive Director ad interim, Workplace Culture, will undertake a review of how past decisions to deploy staff in managerial positions were made. This review will also consider the mechanisms to enforce management accountability in monitoring and escalating inappropriate conduct.	In 2024, the Staff Relations and Reassignment teams within the Human Resources Division (HRM) reviewed the reassignment process for international staff. The focus was given to reviewing information and accountability gaps in considering behavioural issues in the reassignment decision-making process with due regards to confidentiality. Additionally, the team analysed the information flow and reassignment decisions in relation to selected internationals in the Madagascar Country Office as agreed in the 2023 audit. Based on the above, a new step has been included in the reassignment process and since February 2024, the HRM Director is briefed on a confidential basis by Staff Relations on sensitive/behavioural issues prior to Staffing Committee meetings. This action will be reinforced by sharing additional information with selected key stakeholders in the reassignment process, on a strictly confidential and need-to-know basis while paying attention to candidates' right to enjoy a presumption of innocence and to the general principle that staff must not be punished twice for the same conduct ("double jeopardy"). Moreover, the Career	Closed

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
	Management Branch is working to promote a cultural shift towards more complete, accurate and comprehensive periodic staff evaluations that ensure behavioural traits and soft skills are considered and included. The Office of Internal Audit highlights the importance of accurately and comprehensively documenting both technical and behavioural performance as part of the corporate Performance and Capability Enhancement (PACE) process.	

Audit report observation 2: Ineffective risk management, committees and procedures as from AR/23/21

There were several weaknesses in the country office governance with gaps in risk management and decision making. Key controls such as committees and assessments corporately required to identify risks, inform operational design, and mitigate risks where necessary presented systemic gaps.

Risks and decisions

Management delayed key decisions, which impacted the control environment. For example, the organizational realignment conducted in June 2022 was still under implementation as of May 2023. In the meantime, over 50 percent of positions were filled with short-term contracts. The country director reported the use of consultants and temporary duty assignments impacted turnover and continuity in key functions such as cash-based transfers, logistics and procurement during the audit period. Some functions were understaffed such as security, cooperating partners' management, food safety and quality, and community feedback mechanism. Another example is the roll-out of the corporate platform for beneficiary information and transfer management, which was slowed down despite weak controls over delivery processes (see Observation 6: Limited digitalization over programme implementation).

Mitigation actions defined in the country office risk register were not consistently implemented, and the fraud risk assessment dated from 2021. As a result, controls implemented were not always aligned to risk levels and did not systematically follow recommendations deriving from existing assessments, for instance in the management of in-kind and cash-based transfers distributions. The residual operational and fraud risk exposure to the country office operations were notable in beneficiary management (see Observation 3: Insufficient controls on beneficiary targeting and identity management) and end-to-end transfers (see Observation 6: Limited digitalization over programme implementation).

The country office had not performed mandatory assessments including a privacy impact assessment – despite collecting beneficiary biometric data – and several sectorial assessments for cash-based transfers were either missing or needed to be updated. Exposure to fiduciary risks for beneficiaries and to third-party risks increased as noted in Observation 5: Gaps in the selection and performance management of cooperating partners and Observation 7: Inefficiencies in the goods and services procurement.

Country office committees

Country offices are required to set up local committees to advise, recommend, or endorse decisions for the country director to consider. During the audit period, the resource management committee, the cash working group, and the cooperating partner committee were established, with terms of reference and composition approved. Yet these did not meet regularly to discuss risks and make proposals to the country director. This governance issue contributed to issues in the management of cash-based transfers and cooperating partners that remained unresolved.

Compliance and procedures

Instances of non-compliance with corporate rules prevented the reduction of inherent risk levels. The direct selection of cooperating partners was not documented as required. Purchases were not always correctly labelled, and 25 percent of goods and services purchases were recorded too late in corporate systems.

Finally, it was not always possible to ascertain the trail of supporting documents provided by the country office. Strategic plans and standard operating procedures were often in draft or outdated, which impacted knowledge retention and contributed to unclear roles and responsibilities in the processes of beneficiary targeting and registration, cash-based transfers, and supply chain.

Underlying cause(s): Workplace issues and staff suggestions and concerns not considered (refer to Observation 1: Workplace environment issues); different understanding of processes, controls and risk exposure, including fraud risks, between management and staff; limited skills and knowledge of corporate standards in the management of cash-based transfers and cooperating partners; and emergency response challenging implementation of controls.

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
1. The Regional Bureau for Southern Africa will conduct a comprehensive review of risk management practices and risk culture in the country office.	To enhance and reinforce risk management practices and culture, the Regional Bureau for Southern Africa and headquarters provided support to the country office through various initiatives. These included a cross-functional oversight mission, a risk management workshop, and a review of the fraud risk assessment. Additionally, the country office established a cross-functional working group/task team to address different aspects of risk management and to monitor the implementation of recommendations from oversight and internal audits. The collaboration between the Regional Bureau and headquarters and the proactive efforts of the country office in 2024 positively contributed to the development of a strong risk culture within the country offices.	Closed
2. The country office will, with the support of the Regional Bureau for Southern Africa and the Risk Management Division (i) Prioritize and define a timeline to complete mandatory assessments to inform risk-mitigation actions. (ii) Review and update its fraud and third-party risk assessment and implement effective fraud controls.	In November 2024, the country office launched, with support from the WFP's Global Privacy Office, a Privacy Impact Assessment, which will enable the country office to effectively evaluate the data protection risks associated with processing personal data in WFP operations. Additionally, between July and November 2024, the country office conducted a multi-sectoral evaluation to update the assessment for the cash-based transfer (CBT) activities to guide decision-making for CBT planning and strengthen risk mitigation efforts. In addition, in October 2024, the country office conducted, with support from the Risk Management Division and the Regional Bureau for Southern Africa, a Fraud Risk Assessment exercise, updating fraud risks, the corresponding controls and proposed mitigation actions. The exercise also enhanced the anti-fraud and corruption awareness within the country office through workshops involving staff from the entire office.	Closed
3. The country office will: (i) Ensure the functioning of committees as per the applicable terms of reference. (ii) Update its inventory of standard operating procedures.	The country office effectively regularized the function of the key committees. The country office also updated the list of standard operating procedures (SOP).	Closed
4. The country office will conduct a learning needs assessment.	The country office conducted a Learning & Development Needs Analysis session in June 2024. The session identified capability gaps and areas in need of staff development.	Closed

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
	Recommendations from the analysis included utilising technical expertise, promoting mentoring and coaching, ensuring accountability, and cultivating a feedback culture.	

Audit report observation 3: Insufficient controls on beneficiary targeting and identity management as from AR/23/21

Targeting processes

The country office prioritized geographic areas of assistance through the Integrated Food Security Phase Classification and relied on community-based targeting for the identification of the most vulnerable households.

The corporate targeting guidance8 identifies the risk that community-based targeting reinforces existing power imbalances and marginalization of groups. The guidance recommends several safeguards and controls for the targeting process, including identifying the right cooperating partners, using a community feedback mechanism, and implementing field verification visits by independent parties. The design of key controls at country office level did not ensure effective implementation of these mitigations.

Each community elected its targeting committee in charge of selecting beneficiaries based on a set of vulnerability criteria. Following the selection, communities validated the beneficiary lists and documented the exercise in notes for the record. A review of a sample of notes highlighted that WFP and cooperating partner staff did not consistently participate in the exercise and, hence, fully relied on community validation in determining final beneficiary lists.

Monitoring reports identified recurring misalignments between community-validated lists and lists used for distributions, resulting in households meeting vulnerability criteria being excluded from assistance. The country office did not track the implementation of corrective actions addressing these misalignments and did not analyse their impact to estimate inclusion and exclusion errors.

The 2022 country office risk register assessed the risk of manipulation of beneficiary identity data by local authorities or community leaders as high. The main risk mitigation measures identified were the strengthening of the community feedback mechanism and of the management of cooperating partners. Controls in both processes were found to be ineffective, such as the risk of manipulation of beneficiary lists which was not effectively mitigated (refer to Observation 4: Ineffective community feedback mechanism for the review of the community feedback mechanism and to Observation 5: Gaps in the selection and performance management of cooperating partners).

Underlying cause(s): Limited knowledge of corporate guidance on community-based targeting and insufficient understanding of related risks (refer to Observation 2: Ineffective risk management, committees and procedures); and unclear process (roles and responsibilities and activities) for the verification of results of community-based validation.

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
The country office will: (i) Estimate exclusion errors to identify weak partners. (ii) Develop, approve, and implement a standard operating procedure covering the verification of beneficiary lists resulting from community-based targeting.	In October-November 2024, the country office performed a detailed analysis of the exclusion errors and estimated the exclusion rate. The review also identified specific cooperating partners with a higher level of exclusion errors, recommending the office strengthen the governance and control of the targeting process through regularized oversight and spot-checks of the partners. In addition, the country office issued a new SOP regarding beneficiary verification through community-based targeting and defined processes and controls addressing the risk of exclusion.	Closed

Audit report observation 4: Ineffective community feedback mechanism as from AR/23/21

The community feedback mechanism relied on internal and inter-agency telephone hotlines and community committees. The country office reported that the internal hotline was understaffed and did not capture and follow up all beneficiary requests; audit testing corroborated these issues.

In December 2022, the country office started using an inter-agency hotline and the corporate customer relationship management system. As of May 2023, a sensitization campaign to inform about this channel was yet to be finalized. In addition, access to phone in programme areas was around 30 percent;10 therefore, hotlines did not ensure equal access to all community members, as required by the corporate guidance.

The community complaints committees did not meet corporate requirements for this mechanism. Interviews with staff and community highlighted that roles and responsibilities were unclear for committee members. Further, there was no systematic reporting of complaints as this channel relied mainly on informal communications between complainants and members of committees.

Monitoring reports and feedback from staff identified overlaps between the activities of targeting and complaints committees, indicating insufficient segregation of duties between the two processes and therefore increasing fraud risks. As a result, the complaints committees could not serve as an independent accountability tool for beneficiary selection.

Underlying cause(s): Limited knowledge of corporate guidance on community feedback mechanisms (refer to Observation 2: Ineffective risk management, committees and procedures); and absence of a central database consolidating different complaints and feedback channels.

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
1. The country office will train and sensitize all actors involved in the community feedback mechanism	In early 2024, the country office held training sessions on the Community Feedback Mechanism (CFM), accountability, and protection for its senior management and staff from various units. A workshop on CFM was also held in June. Additionally, in February 2024, the country office also conducted a field mission to engage with beneficiaries, local authorities, cooperating partners, and the WFP field office. It provided sensitisation and training on the CFM. In June 2024, the country office established a task force (*Groupe de travail aspect transversaux*) to coordinate and harmonise the work in CFM, protection and accountability to the affected population, which meets regularly and examines the cases reported through CFM.	Closed
2. The country office will: (i) Validate the adequacy and effectiveness of existing complaints and feedback channels against minimum corporate requirements. (ii) Following the validation, ensure systematic reporting and follow-up of complaints from all channels through a central database.	In line with the Executive Director's circular on the Minimum Monitoring Requirements (MMR) issued in July 2024, the country office reviewed and validated the process and procedures of the CFM and issued a new SOP regarding the CFM in October 2024. This document outlines the processes, procedures, and roles and responsibilities of the country office staff concerning the CFM and protection approach in alignment with the MMR. In addition, since early 2024, the country office has produced a monthly report detailing the feedback received through the CFM. This report consolidates issues and systematically reports observations and recommendations for the relevant services within the country office or field office designated as action owners, followed by the Protection unit. The SOP also defined a	Closed

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
	corporate-approved reporting system (SugarCRM) as the central database for the feedback mechanism.	

[Audit report observation 5](#): Gaps in the selection and performance management of cooperating partners as from AR/23/21
Partner identification and due diligence The last review of the lists of cooperating partners took place in 2020 and there were systemic gaps in the due diligence and capacity assessments process. The country office did not use the United Nations Partner Portal (UNPP) and did not assess the capacity of partners against requirements identified in corporate guidance. *Performance management* Field offices finalized partner evaluations independently without obtaining inputs from country office staff as required by the corporate guidance. This approach exposed the operations to conflicts of interest at field level and led to inconsistent assessment of risks. Out of an audit sample of six partners, only one had a spot-check undertaken. A review of the exercise performed for that partner showed that the country office spot-check report rated a partner as high risk while the field office performance evaluation rated the same partner as low risk. In May 2022, the country office drafted the terms of reference for an external review of the existing partner pool and the identification of key capacity-strengthening initiatives. As of May 2023, the document was still in draft and the linkage between the results of partner performance evaluations and contract renewals could not be demonstrated. The country office had yet to develop improvement plans to address gaps identified in evaluations. Insufficient review of the roster, paired with weak controls on performance evaluations, exposed the country office to increased risks of partner underperformance and of collusion between partners and field staff. Underlying cause(s): Limited knowledge of partnership corporate guidance (refer to Observation 2: Ineffective risk management, committees and procedures); process and standard operating procedure for partnership management not aligned with corporate requirements.

Agreed actions as from AR/23/21	**Actions undertaken and update from the 2024 follow-up review**	**Review conclusion**
1. The country office will align the process and standard operating procedure for partnership management with corporate guidance.	In May 2024, the country office updated its SOP for cooperating partner management in line with corporate guidance. It also clarified the process by indicating the roles and responsibilities in partner management, addressing gaps raised by the audit in 2023.	Closed
2. The country office will: (i) Follow up on partner capacity improvement plans to ensure critical capacity gaps are addressed. (ii) Launch expressions of interest to identify new partners. (iii) Plan and perform due diligence exercises of key partners. (iv) Update roasters of partners	At the end of 2023 and early 2024, the country office initiated an expression of interest to identify new cooperating partners. In the second and third quarters of 2024, the country office conducted a comprehensive capacity assessment and due diligence of the potential partners. Following this and based on the detailed assessment of potential areas for intervention and the overall evaluation scores, the country office updated the roster of partners. In the fourth quarter of 2024, the country office developed and implemented capacity improvement plans to address the existing partners' capacity gaps.	Closed

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
3. Review processes for performance evaluation of cooperating partners to inform decisions on future contracting and/or capacity-building activities	The country office reviewed and clarified the processes for evaluating the performance of cooperating partners in the SOP issued in May 2024. The objective of this review is to establish a foundation for future contracting considerations and capacity-building activities for the partners. Additionally, the country office set up an evaluation plan for 2024 and 2025, tailored to align with the field-level agreement cycles of its partners.	Closed

Audit report observation 6: Limited digitalization over programme implementation as from AR/23/21

In 2022, the country office distributed 84,000 metric tons of food worth USD 54 million and USD 21 million of cash-based transfers to beneficiaries, respectively 72 percent and 28 percent of the total transfer value to beneficiaries.

Beneficiary identification during distributions

The challenge of verifying the identity of targeted beneficiaries during food and cash distributions was recurrently reported by country office field monitoring staff and the financial service provider. The national identity card served as the principal means of identification, yet there was evidence that some beneficiaries had false and multiple identity cards and could circumvent this control. Beneficiary identification and tracking of entitlement redemption were performed manually with significant inherent risks of error or fraud.

Assurance over transfers

Overall, the country office did not meet standards set by WFP's cash assurance framework,14 to know to whom WFP is transferring the cash, mainly because of the limited and inefficient use of digital solutions to support delivery processes and controls. WFP field monitors, the financial service provider, and the cooperating partners performed reconciliation on site, between cash transferred to beneficiaries and transfer instructions. This manual reconciliation was paper-based, prone to errors, and exposed to issues regarding segregation of duties. While the cooperating partner and the financial service provider each had listings signed by beneficiaries, the country office did not obtain copies nor reports to confirm the accuracy of reconciliations performed on site and that benefits reached the intended people.

WFP corporate guidance on assurance for general food distribution was under development as of August 2023. The limited digitalization of the country office's delivery processes hinders its ability to meet expected corporate standards on assuring the right beneficiary receives the right entitlement.

Digital strategy

The country office has invested USD 740,000 since 2020 (excluding staff costs) in WFP's corporate platform for beneficiary information and transfer management; it had registered 200,000 beneficiaries in the audit period, including with biometric data in some instances. Yet, the country office had not improved controls over beneficiary identity information and transfer management through these investments as it was not using key functionalities of the platform such as deduplication features, generation of transfer instructions, and authentication of beneficiaries.

Underlying cause(s): Insufficient clarity at corporate level on minimum standards for digital tools to use for beneficiary identity and transfer management platform; complex digital strategy requiring alignment with government priorities; and absence of standard operating procedure in the country office for cash-based transfers (refer to Observation 2: Ineffective risk management, committees and procedures).

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
1. The Cash-Based Transfers Division, in consultation with the Technology Division, will support the country office to digitalize delivery processes.	As of December 2024, the Delivery System Services team within the Supply Chain and Delivery Division has had several discussions with the country office on the strategies and processes for digitalizing its identity management and delivery processes. The support exercise is expected to also cover the introduction of a Payment Instrument Tracking (PIT) system in the country office to improve the CBT delivery and a mission to the country in early 2025.	In Progress Revised due date 30 April 2025

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
2. The country office will, following the financial service provider contracting process, review and document delivery processes in standard operating procedures to ensure alignment with WFP's cash assurance framework.	In October 2024, the country office issued new SOPs to document cash transfer delivery processes and clarify the roles and responsibilities of the WFP units and the financial service providers (FSPs). The SOPs are established following the standards defined in the Cash Assurance Framework on the use of FSPs and the delivery process.	Closed

Audit report observation 9: Complex and inefficient invoice and payment processing as from AR/23/21
The country office did not consistently pay its suppliers and partners on time. While WFP's default payment terms are 30 days, actual invoice and payment processing regularly exceeded three months, and in some instances, up to 10 months for partners. This limited operational efficiency and could increase the risk of fraud by third parties due to financial pressure and rationalization of fraud. Some practices delayed the processing of invoices and payments: a. Partners' invoices were reviewed in a level of detail not required by corporate standards. b. Purchase orders for cash-based transfers to beneficiaries were itemized to compensate for the absence of systems to support reconciliation processes (refer to Observation 6: Absence of digitalization over programme implementation). The country office could not use the corporate bank communication module for straight-through processing of payments and thus had to submit manual payment instructions to its bank. The update of supplier banking details in corporate systems had not been completed and added complexity to the review of payment orders by finance staff. Underlying cause(s): Different levels of understanding of risk exposure between management and staff (refer to Observation 1: Workplace environment issues); and absence of local financial institutions for straight-through processing of payments with WINGS.

Agreed actions as from AR/23/21	Actions undertaken and update from the 2024 follow-up review	Review conclusion
1. The country office will: (i) Develop a tool to monitor delays in invoice processing and identify bottlenecks. (ii) Review and simplify control procedures for invoice and payment processing to improve payment terms.	In 2024, the country office strengthened its capacity by having new finance assistants with responsibilities including following up on the invoicing process. Additionally, the country office has developed processes for payment tracking and tools that reduce the need for manual intervention. As a result, the payment terms for vendors and cooperating partners have significantly improved since the second quarter of 2024.	Closed
2. The country office will finalize the update of suppliers' banking details in corporate systems.	The country office updated the supplier's banking details in the corporate systems.	Closed

Table 2: Medium priority Observations

<u>Audit report observation 7:</u> Inefficiencies in goods and services procurements as from AR/23/21		
The country office did not complete a procurement plan in 2022 and issued 25 percent of post-factum purchase orders for goods and services. Most of these post-factum purchases related to utilities and recurrent services. Nonetheless, these highlighted issues in procurement planning and accountability of requesting units to timely initiate their procurement requests. Similarly, several long-term agreements were yet to be renewed leading the country office to overuse micro-purchase orders over the audit period. These purchases can be approved at a lower level of authority than other purchases. This trend of using micro-purchase orders started decreasing in the first quarter of 2023. The country office had not updated rosters for suppliers of goods and services since 2020. This limited the opportunity to identify new qualified vendors. While expressions of interest were launched for individual purchase requests, the absence of vendor rosters slowed down procurement lead times. There were systematic gaps in due diligence and capacity assessments before contracting vendors. Due diligence had overall not been conducted to ensure suppliers met WFP requirements. The performance evaluation of two out of six suppliers sampled were not available. The long-term agreement for security services had been extended despite documented poor performance including in relation to the loss of food in one of the WFP warehouses in the Grand Sud. Insufficient procurement planning and due diligence over vendors exposed the country office to increased third-party fraud risk and the risk of vendors' underperformance. <u>Underlying cause(s)</u>: Limited adherence to corporate procurement standards; onboarding of many suppliers without prioritizing controls and risk mitigation measures during the emergency response; and challenges in document retention and archiving.		
Agreed actions as from AR/23/21	**Actions undertaken and update from the 2024 follow-up review**	**Review conclusion**
The country office will (i) Launch expressions of interest to identify new suppliers. (ii) Plan and perform due diligence exercises of new suppliers and key existing suppliers. (iii) Following (i) and (ii), update rosters of goods and services suppliers.	In early 2024, the country office initiated an expression of interest to identify new suppliers. Following this, the office conducted a due diligence exercise for both new and existing suppliers, which included onsite visits, and subsequently updated the supplier roster.	Closed

Audit report observation 8: Limited controls over transport cargo allocation as from AR/23/21
The country office used the tariff system to meet its transport requirements, a modality allowing for the contracting of several transporters at the same tariff. Tonnage allocation between transporters was done monthly by route. The WFP Transport Manual indicates that the frequency of allocation should be appropriate to the operational context, yet this cumbersome process provided little flexibility, increased the transactional work of logistics staff, and created delays in executing the monthly transport plan. While the country office had identified several criteria – such as satisfactory performance – to allocate cargo between transporters in a transparent manner, these were neither consistently applied and documented, nor communicated to transporters, thus reducing the potential to improve market competitiveness. This also increased potential fraud risks with transporters. Finally, the country office did not monitor overall cargo allocation as required by the Transport Manual to identify trends and risks. Management oversight was exercised at the transport order level without appropriate process monitoring mechanisms. Underlying cause(s): Inefficient and ineffective controls from country office over field offices; and limited management oversight over cargo allocation to transporters.

Agreed actions as from AR/23/21	**Actions undertaken and update from the 2024 follow-up review**	**Review conclusion**
1. The country office will: (i) Revise the frequency and level of detail of the cargo allocation plan (ii) Embed cargo allocation criteria in relevant templates.	In 2024, the country office and its Logistics Contract Committee (LCC) reviewed and documented the tariff system and revised the allocation plan and criteria. The new plan also defined the allocation template.	Closed
2. The country office will define oversight mechanisms over cargo allocation to identify and follow up on variances against the plan.	The country office and its LCC established oversight mechanisms for the new cargo allocation through regular follow-ups by the supply chain, along with a quarterly performance review of the newly revised process.	Closed

Audit report observation 10: Limited independence of monitoring function and follow-up of monitoring issues as from AR/23/21		
The segregation of duties between programme implementation and monitoring at field level was unclear. This prevented the use of monitoring as an independent source of verification of programme activities and resulted in limited coverage of sites as staff prioritized other programme activities. For example, in the last quarter of 2022, monitoring coverage reached 15 percent of the plan. The number of active sites to monitor varied during the year and in the November 2022 to April 2023 period during the crisis response, the country office had around 2000 active sites. The country office did not regularly track the number and location of sites visited at field office level. The regional bureau had identified these challenges and recommended updating the monitoring standard operating procedure and task allocation of field monitoring staff; implementation of this action was pending at the time of audit reporting. The country office did not track the implementation of corrective actions identified through process monitoring and did not systematically analyse its monitoring results. As a result, there was limited feedback loops for monitoring results and findings into the country office programme design and implementation. Underlying cause(s): Monitoring deprioritized during emergency response; and absence of a process for tracking, analysing and following-up on monitoring issues identified.		
Agreed actions as from AR/23/21	**Actions undertaken and update from the 2024 follow-up review**	**Review conclusion**
The country office will, following implementation of regional bureau recommendations, develop a process for systematic tracking, analysis and follow-up of issues identified through process monitoring.	In October 2024, the country office updated the SOP for monitoring activities. In parallel, the country office improved the process for systematically tracking, monitoring, and following up on observations and recommendations from monitoring missions through enhanced documentation and standardization of tracking tools. As of November 2024, the country office is implementing a corporate digital solution (SugarCRM) for monitoring management. This new system is expected to streamline further the tracking, analysis, reporting, and escalation of issues within both the country and field offices.	Closed

Annex A – Definitions of audit terms: ratings & priority

1 Rating system

Audit observations are categorized by impact or importance (high, medium or low risk) as shown in the internal audit services of UNDP, UNFPA, UNOPS and WFP adopted harmonized audit rating definitions, as described below:

Table A.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 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.
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 A.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: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.[7]

7 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 Categorization of the status of implementation of agreed per audit observation

Table A.3: Priority of agreed actions

Status	Definition
Closed	Action has been fully implemented.
In Progress	Action has been started, partially implemented and revised timescales for full implementation have been established.
Open	Action has not been partially or fully implemented. Revised timescales have been agreed in some cases.
Not Applicable	Senior management has accepted the risk of not taking action. Conditions have changed that render the agreed action not relevant.

Annex B – Acronyms

CBT	Cash-Based Transfers
CFM	Community Feedback Mechanism
CSP	Country Strategic Plan
FSP	Financial Service Providers
HRM	Human Resources Division
LCC	Logistics Contract Committee
OIGI	Office Inspections and Investigations Branch
SOP	Standard Operating Procedure
SUGAR CRM	Customer Relationship Management System
USD	United States Dollar
WFP	World Food Programme
WINGS	WFP Information Network and Global Systems