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**Executive Board  
First Regular Session**

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# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 5**

*For consideration*

# **E**

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## **REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA**

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## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for consideration**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

The Comptroller and Auditor General of India (CAG) provides an external audit service to the World Food Programme (WFP).

CAG's audit aims to provide independent assurance to the World Food Programme and to add value to WFP's management by making constructive recommendations.

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# *External Audit Report*

## ***World Food Programme's Somalia Operations***



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**COMPTROLLER AND AUDITOR GENERAL OF INDIA**

## **Executive summary**

The World Food Programme (WFP) has been operating in Somalia since 1960s. Several allegations were made against WFP Somalia operations on Channel 4 News in June 2009. Subsequently, the United Nations Monitoring Group on Somalia (MGS) made allegations in March 2010, which included new allegations in addition to those made earlier by Channel 4 News.

The Executive Board (EB) in June 2010 asked the External Auditor, viz. the Comptroller and Auditor General of India to undertake a detailed review of the WFP Somalia operations geared towards recommendations to enhance the controls.

The main objectives of our audit were to, (a) verify whether controls had been designed based on risk assessment and were implemented as designed; (b) recommend addition/modification/annulling of controls; and (c) recommend lessons from Somalia operations for similar critical operations elsewhere. We also included in our brief an opinion on the investigations carried out by the Inspector General, the Oversight Office (IG, OS) leading to his report in December 2009.

Our audit was conducted at WFP Headquarters (HQ), Rome and at the Somalia country office (CO), Nairobi, for six weeks from 11 October to 19 November 2010 through review of documents; analysis of data from information technology (IT) systems and discussions with key stakeholders. We mostly reviewed records relating to the period January 2009 to June 2010 with special focus on operations in Mogadishu and the Afgoye corridor, the regions that find prominent mention in the allegations.

We appreciate the complex and risky environment in which Somalia WFP operations are conducted. Our audit results elaborated in the ensuing paragraphs may be read against the backdrop of the challenges faced in Somalia operations and the efforts being taken by WFP to strengthen them.

Our findings mainly relate to the operations in south Somalia where WFP has limited access. The challenges faced by WFP in south Somalia are particular to the region and differ from the relative calm in north Somalia. Therefore, those of our findings that specifically relate to south Somalia may not apply to the operations in the entire country.

The Report is divided into two parts. Part I covers our opinion on the investigations and findings of IG, OS on the allegations of Channel 4 News and MGS. Part II is the report on the internal control environment currently obtained in the WFP operations in Somalia.

### **Part I - Opinion on the investigations and findings of the Oversight Office on the allegations of Channel 4 News and MGS**

The main allegations on the Somalia operations investigated by OS and covered in our examination relate to: (a) diversion of food with WFP food sold in local markets and creation of fictitious food distribution camps; (b) three transporters receiving 80 per cent of the transport business; (c) conflict of interest between the transporter and co-operating partner; (d) staged looting of food from a transporter's convoy; and (e) building of a road connecting a port with an airstrip.

On the basis of results of monitoring in one major market by a private agency and finding WFP supplied food in only six shops, and using data on three market towns in August and October 2009, the OS concluded that approximately 10 per cent of food distributed each month by WFP in Afgoye and Mogadishu reached the local markets, through beneficiaries who sold part of their rations to the local traders for sugar and tea. We are of the opinion that the basis for drawing the conclusions was insufficient: the size of the sample was small and the monitoring result over a few days was used to quantify the food reaching local markets. The subsequent data collected during the monitoring did not support the conclusion that food sold by the beneficiaries was the only source of food aid found in the markets.

The private investigation agency could verify the existence of food distribution camps leading OS to conclude that there was no evidence of fictitious camps as alleged. Once again, secondary data found in the monitoring reports of the country office, produced after the field work by the OS mission, provided some leads which if investigated, could lend pith to the inquiry on this allegation.

Eighty-one per cent and sixty-six per cent of the transport business was awarded to three contractors in 2008 and 2009 respectively. OS had observed that while there were some infractions, a few control weaknesses crept into the process due to lack of clarity in the manual. We are of the view that the country office's decisions should have been guided more by the spirit of the provisions of the manual.

We agree with the OS that it had identified the conflict of interest between a transporter and a co-operating partner (CP), following which prompt remedial action was taken. We also agree with the OS on its finding that the food lost in transit by a transporter was recovered although not through the performance bond but instead in instalments.

The MGS had alleged that WFP assisted Adaani's Swift Traders to reopen the El Maan port as an alternative to the Mogadishu port "ostensibly as a contingency plan"<sup>1</sup>. The OS examined only the justification for the procurement, not the procurement process itself. They reported that the CO management could have been more engaged with the United Nations country team in Somalia regarding the initiative to build a road and concluded that no further action was required on this allegation. We are of the opinion that lack of transparency in the management of the contract as reflected in the waiver of competitive bidding process and the high cost of procurement, should be subject of further investigation. OS agreed that the new information provided by us warrants a further review.

We recognise the fact that there is more body of information that is now available for analysis than what was available in 2009 when the OS investigated the allegations. We also recognise that the OS reports over a period of time had been pointing out the weaknesses in controls in Somalia operations. The investigation report of December 2009 must be viewed in the light of these previous reports of the OS. The 2009 Report has served as the template for examining the control weaknesses and the recommendations therein directed the changes necessitated to mitigate these weaknesses. Notwithstanding the above, we believe that our report identifies areas that lend themselves to additional work of investigation.

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<sup>1</sup> Somalia Monitoring Group report document S/2010/91

## Part II - Assessment of Internal Controls

It is the responsibility of the top management to set the tone in the organisation for compliance of rules and regulations. We recommend that the top management should pilot a self-assessment mechanism in the Somalia CO. A self-assessment check-list of key controls should be developed for the Country Office, on the basis of which, all operational units must assess themselves in the year-end. This would encourage them to assume ownership of controls and thus enhance accountability.

We found that evaluation of staff relating to the Somalia CO necessitated closer monitoring at the HQ and the CO for timeliness and completeness of the evaluation forms.

WFP is preparing Risk Registers at the corporate level and for Somalia CO and this initiative will enable a more effective handling of risks. However, the risk appetite is not quantified and we recommend that the risk appetite must be quantified separately for high-risk operations (like areas of Somalia with restricted access) and normal operations (like areas of Somalia where WFP staff have access).

We are of the view that the experience with Somalia holds a lesson for timely cognisance of the imminent risks and its sharing with key stakeholders. We recommend that the responsibility for collection and analysis of warning signals for significant reputational risks should be assigned for timely escalation of such signals to appropriate levels. We are also of the view that a swift and transparent response to the allegations could have assuaged the stakeholders.

The six-monthly district-wise Allocation Plan is prepared on the basis of the assessment results drawn from WFP's own data and that of sister United Nations organisations. We did not find on record a complete trail of changes from initial figures of beneficiaries and food quantity calculated according to Standard Operating Procedures using the above data to final allocation numbers in the Allocation Plan. We recommend that to ensure greater transparency, the CO must maintain complete trail to justify the numbers in the final Allocation Plan.

A monthly Distribution Plan (DP) is prepared which has village-wise beneficiary numbers and quantity of food proposed to be distributed at the final distribution point. We found that the Distribution Plan did not always reflect the ground level realities; the preparation of the Allocation Plan is a stand-alone activity without strong links to the Distribution Plan. A case study of a special GFD (General Food Distribution) for disabled and unaccompanied elderly in Mogadishu exemplifies the weaknesses in programming.

Co-operating Partners play a vital role in WFP operations, being involved in the preparation of the Distribution Plan, the identification of beneficiaries and in the final distribution of food aid. The CO has introduced a more objective capacity assessment tool to assess the Co-operating Partners before their engagement although the data supporting the ratings is inadequate. We feel that if this weakness is addressed, it will make the process more objective and transparent.

We noticed shortcomings in the food commodity tracking system, the COMPAS, which necessitated retrieval of information from the back end of the system thus impairing

data integrity. A new system is on the anvil. However, till such time we recommend that standardised report generating tools that will meet the needs of the CO should be developed. The staff use worksheets to maintain some critical information and we noticed that such data suffered from typical problems like discrepancies between data maintained by different units, mistakes and absence of version control.

All the stakeholders whom we met were appreciative of the work being done by the CO in an extremely challenging environment in Somalia. However, they expected greater engagement and a more transparent briefing by WFP on key issues. We recommend that WFP should work closely with external stakeholders in a more transparent manner.

The CO had taken numerous initiatives to strengthen monitoring like, (a) introduction of hotline; (b) greater analysis and depth in the monthly monitoring report; and (c) training of food aid monitors (FAMs). The results of our testing of 3 months of data showed that the percentage of food distributed monitored has come down in June 2010 as compared to June 2009. The management informed us that the volume of monitoring does vary from month to month. We are nevertheless concerned that our findings may be indicative of a general fall in the level of monitoring. In areas where WFP staff have access, we recommend that normal monitoring should be increased.

Our general observations and recommendations on controls and lessons for similar operations in future are:

- Heavy investments on third-party monitoring and cross-border monitoring that comprise detective controls, are being planned in Somalia. As preventive controls provide greater assurance than detective controls, there is a need to realign the CO strategy by investing more in preventive controls relating to selection and maintenance of relationship with Co-operating Partners; preparation of allocation and distribution plans and identification and registration of beneficiaries.
- Controls should be implemented till a logical conclusion is reached or till the full objective for establishing the control is achieved.
- We recommend that aggregate costs of additional controls in operating in high-risk areas should be assessed and shared transparently with the donors so that a considered decision could be taken on whether or not to operate in such high-risk areas.
- WFP should lay down a minimum level of baseline controls that have to be followed even for emergency operations.

## Summary of recommendations

### I Strategic Issues

**Recommendation 1:** *A staff member in each office must be nominated as an ethics advocate to be a flag-bearer on ethical issues and to act as a first point of contact to resolve ethical dilemmas.*

**Recommendation 2:** *The Regional Bureaux (RBs) have an important role to play in the organisation as they are closer to the COs and are better placed to quickly respond to their needs. The RBs should be provided necessary resources to enable them to discharge their work more effectively.*

**Recommendation 3:** *Internationally there is a growing recognition of the importance of self monitoring vis-à-vis external monitoring. Our view is that WFP Somalia CO could present an ideal setting for a pilot on self-assessment mechanism. Consistent with the OS's inspection check-list, a self-assessment check-list of key controls must be developed for COs on the basis of which they must assess themselves in the year-end in a report to the Country Director. We are of the opinion that this would encourage them to assume ownership of controls thus enhancing accountability.*

#### **Recommendation 4:**

*(a) Risk appetite must be quantified separately for high-risk operations (like areas of Somalia with restricted access) and normal operations (like areas of Somalia where WFP staff have access).*

*(b) In addition to inherent risk register, a residual risk register must also be prepared so as to draw an assurance that the residual risk is within the risk appetite.*

**Recommendation 5:** *We are of the view that reputational risks could have a more pervasive organisational impact as compared to operational risks, whose impact would generally be localised. Hence, the Resource Management and Accountability Department (RM) should be assigned the responsibility for collection and analysis of warning signals for significant reputational risks and for escalation of such signals to appropriate levels. The RM should work closely and share its work with the OS and the Audit Committee.*

**Recommendation 6:** *The management should develop and implement a strategy to respond swiftly, decisively and transparently to major external allegations.*

**Recommendation 7:** *WFP should validate the identification of beneficiaries on a test-check basis, before the stage of distribution monitoring, at least in areas where WFP staff have access.*

**Recommendation 8:** *The CO should reassess the risks involved in undertaking the food distribution operations at Afgoye in consultation with other stakeholders.*

#### **Recommendation 9:**

*(a) The capacity assessment of Co-operating Partners should be supported by adequate documentation for greater objectivity.*



*(b) Due diligence must be exercised before selecting Co-operating Partners and once selected, the Country Office must strive to nurture long-term relationships at least in areas where activities remain the same from one season to the other.*

**Recommendation 10:** *Further allocation/delivery should not be made to transporters/co-operating partners who do not submit their waybills/reports within three months from the date of arrival of food.*

**Recommendation 11:** *The CO should work closely and transparently with external stakeholders.*

**Recommendation 12:** *As the CO is planning heavy investments in monitoring activities, possible results of monitoring and the likely follow-up action for each result should be identified in advance. We are of the view that this exercise will guide the CO to take adequate follow-up action on the findings of monitoring and enable it to derive optimum benefits out of it.*

**Recommendation 13:** *WFP should put in place systems to collect information and measure existing indicators of outcome and impact. Such findings should be included in the annual Standardized Project Reports.*

**Recommendation 14:**

*(a) The CO should realign its control strategy in favour of preventive controls relating to selection and maintenance of relationship with CPs; preparation of allocation and distribution plans; and identification and registration of beneficiaries.*

*(b) The CO should conduct a gap analysis to identify the root cause of the problem before changing procedures and practices. Procedures should be changed only if the existing controls are identified as weak. Greater emphasis should be given on training, frequent reiteration of instructions and disciplinary action to enforce implementation of controls.*

*(c) WFP should periodically work out the aggregate cost of all additional controls put in place or planned to be put in place to operate in high-risk areas where their staff have limited access. Such details should also be shared transparently with the donors so that a considered decision could be taken on whether or not to operate in such high-risk areas.*

## **II Operational Issues**

**Recommendation 15:**

*(a) Headquarters must prepare a standardized check-list for oversight missions for each functional area, based on OS's inspection check-list, and all future oversight missions of the Regional Bureaux must be undertaken according to the approved check-list.*

*(b) All mission reports of the Regional Bureaux should be in writing so that the documentation of work undertaken by the mission and their findings are available for future reference.*

**Recommendation 16:** *The Terms of Reference of the Compliance Officer must be carefully reviewed once the systems and procedures are streamlined. Our opinion is that continued hand-holding by the Compliance Officer should not cause the dilution of accountability of the Country Director and other managers from assuming responsibility for controls.*

**Recommendation 17:** *Submission of evaluation forms of WFP staff must be monitored more closely at Headquarters and the CO. Timely reminders must be sent for submission and the forms checked for completeness, with a follow-up to resubmit, if the forms are incomplete. Warnings and disciplinary action must be used as a last resort against persistent defaulters. The management assured us that it is currently working on a project to enhance evaluation forms (PACE) which will ensure completeness of entries and facilitate quality checks.*

**Recommendation 18:** *To ensure greater transparency, complete documentation trail to justify the numbers in the final Allocation Plan should be ensured.*

**Recommendation 19:** *The CO should exercise greater rigour in ensuring a paper trail to adequately reflect that the necessary ground changes to the distributions are well documented.*

**Recommendation 20:** *The provisions of the new Standard Operating Procedure relating to issue of ration cards, display of beneficiary entitlements and obtaining acknowledgement of beneficiaries should be implemented immediately. WFP should explore use of technology (like use of biometric ration cards) on a pilot basis in stable regions.*

**Recommendation 21:**

*(a) There should be strict adherence to the timeframe for completion of evaluation of Co-operating Partners supported with regular supervisory check.*

*(b) To enhance transparency, the evaluation criteria to be used should be shared with the Co-operating Partners up front at the time of finalising the field-level agreements (FLAs).*

**Recommendation 22:** *The Implementing and Logistics Unit of the CO together should further analyse and reconcile the reasons for the difference in the pending reports from Co-operating Partners.*

**Recommendation 23:**

*(a) Till a new system is developed that addresses the weaknesses in the COMPAS system, standardised report generating tools should be developed so as to prevent staff from accessing data through the back end.*

*(b) Final distribution point-wise detail of food distributed should be captured in COMPAS for all dispatches to Co-operating Partners so as to facilitate reconciliation between the allocation plan and the actual distribution at the final distribution point.*

**Recommendation 24:** *We recommend that the date of receipt of invoice from transporters and Co-operating Partners, being the more important control information, should be captured in WINGS II.*

**Recommendation 25:** *The staff should be trained on the risks associated with end-user computing and on ways to enhance quality of the data. A coordination unit should be set up to take charge of all reconciliation work and to act as a custodian of past data to eliminate chances of discrepancy in data.*

***Recommendation 26:***

*(a) Several key parameters monitored during distribution monitoring should also be covered during post-distribution monitoring for validation of information and to provide greater assurance. Reasons for significant variations between the two findings should be analysed immediately.*

*(b) In areas where WFP staff have access, normal monitoring should be increased. Alternate monitoring should be an exception in these areas.*

*(c) A separate report should be prepared containing details of food distributed or such details incorporated in monthly reports of subsequent months.*

## Introduction

1. Somalia presents one of the most complex and risky environments in the world today. The World Food Programme (WFP) has been operating in Somalia since the 1960s, initially out of Mogadishu, but since 1995 from Nairobi, Kenya due to the poor security situation in Somalia. WFP has twelve sub-offices/field offices/logistics hubs in Somalia. WFP provided food assistance of 335,267 mt to about 1.8 million beneficiaries during 2009 under protracted relief and recovery operations (PRROs) till March 2009 and under emergency operations (EMOPs) since April 2009.
2. Several allegations were made against WFP Somalia operations on Channel 4 News in June 2009. An internal investigation on the allegations by the Inspector General (IG), Oversight Office (OS) concluded with an investigation report in December 2009.
3. Subsequently, the United Nations Monitoring Group on Somalia (MGS) made allegations in March 2010, which included new allegations in addition to those made earlier by Channel 4 News.
4. The Executive Board (EB) in June 2010 asked the Comptroller and Auditor General of India to undertake a detailed review of the WFP Somalia operations geared towards recommendations to enhance the controls.

## Audit Objectives

5. The main audit objectives of our audit were to:
  - Verify whether controls have been designed,
    - *based on risk assessment, and*
    - *keeping in view the risk appetite of WFP.*
  - Assess whether the controls are implemented as designed.
  - Recommend:
    - *additional controls,*
    - *modification of existing controls, and*
    - *annulling controls.*
  - Recommend lessons from Somalia operations for similar critical operations elsewhere.
6. Our discussions in WFP also brought forth the need for an independent opinion on the findings of the IG, OS on the allegations. Accordingly, we have included this objective as part of our current audit engagement.

## Audit Scope

7. WFP has developed a draft internal control framework as one of a number of activities envisaged under its programme, “Strengthening Management Control and Accountability” (SMCA), which is closely in line with the Committee of Sponsoring Organizations of the Treadway Commission Control Framework (COSO Framework). We conducted our audit against the principles identified in the internal control framework. One of the important components of the framework is the internal control environment, which sets the foundation for effective functioning of other controls. Hence, we covered the review of the internal control environment in WFP though it is not specific to Somalia operations.
8. As the allegations largely related to 2009 and since we wanted to compare the efficacy of controls as of 2009 with the present, we mostly reviewed records relating to the period January 2009 to June 2010. When necessary to address specific issues, we also referred to earlier/later periods.
9. Our audit was conducted at WFP Headquarters (HQ), Rome and at the Somalia Country Office (CO), Nairobi for six weeks from 11 October to 19 November 2010.
10. The MGS was willing to share with us the evidence in support of its report of March 2010. Since the new evidence will be initially examined by the IG, we did not include in our current engagement a review of the fresh evidence. This, in our view, was essential to focus on our commitment to the EB.

## Audit Methodology

11. Our audit was conducted through review of documents, analysis of data from the Commodity Movement Processing and Analysis System (COMPAS) and WFP Information Network and Global System II (WINGS II).
12. We had discussions with the WFP staff at Rome and Nairobi, three donor agencies, five United Nations agencies, the MGS, seven Co-operating Partners (CPs), three transport contractors and four food aid monitors (FAMs).
13. We test-checked the records of March 2009, October 2009 and June 2010 to arrive at our audit findings. We placed special focus on operations in Mogadishu and the Afgoye corridor<sup>2</sup>, the regions that find prominent mention in the allegations.

## Process Flow

14. We consider that an understanding of the process flow and description of the key processes followed at the Somalia CO would be desirable, before discussing the results of our work. This is detailed in Annex 1. A glossary of terms used in the Report is in Annex 2.

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<sup>2</sup> WFP has only minimal operations in Afgoye since November 2009.

## Results of Audit

15. We thank the staff of WFP at Rome and Nairobi for the cooperation extended to us during the conduct of audit. We appreciate the complex and risky environment in which Somalia WFP operations are conducted and the challenges faced in the absence of a stable government in Somalia. We also note the sincerity and willingness of WFP staff to strengthen controls and we acknowledge the numerous recent initiatives taken in this regard.
16. Our audit results elaborated in the ensuing paragraphs may be read against the backdrop of the challenges faced in Somalia operations and the efforts being taken by WFP to strengthen them. Our findings mainly relate to the operations in south Somalia where WFP has limited access. The challenges faced by WFP in south Somalia are particular to the region and differ from the situation in north Somalia which has relative calm. Therefore, those of our findings that specifically relate to south Somalia may not apply to the operations in the entire country.
17. Our audit findings and recommendations are strictly based on information made available to us. We are not responsible for erroneous audit findings attributable to inaccurate/incomplete information provided to us.
18. The Report is divided into two parts. Part I covers our opinion on the investigations and findings of IG, OS on the allegations of Channel 4 News and MGS. Part II contains our findings and recommendations on the internal control environment currently obtaining in the WFP operations in Somalia.

**Part I - Opinion on the investigations and findings of the IG on the allegations of Channel 4 News and the MGS**

## Main allegations

The main allegations which we examined can be categorised under two major headings:

- **Diversion of food**
  - *WFP food sold in local markets*
  - *Creation of fictitious camps*
- **Procurement of services**
  - *Three transporters received 80 per cent of transport business*
  - *Conflict of interest between the transporter and co-operating partner*
  - *Staged looting of food from a transporter's convoy*
  - *Building of a road connecting a port to an airstrip*

## Diversion of food

*Allegation: WFP food being sold in the local market: quantifying the food sold*

19. The OS sought to assess the quantum of food diverted to markets in Mogadishu and the Afgoye corridor. The two streams of investigation were: (a) monitoring in Mogadishu local market through a private investigative agency engaged for this purpose, and (b) monitoring by the CO of marked WFP bags that were delivered in the Afgoye corridor at the bordering towns of Wajid, Belet Hewa and El Wag<sup>3</sup>.
20. Based on the private agency's report, OS concluded that about 234 mt per month was sold in the Bakara market, Mogadishu.
21. Tracking of marked WFP bags identified an average of approximately 20 mt of WFP food reaching the bordering towns per day. OS projected this figure to 30 days and arrived at a figure of 600 mt per month.
22. Based on the above, OS concluded that there was sufficient evidence that some food supplied by WFP was sold in the local markets and estimated it to be approximately 10 per cent of food distributed each month (Total of 234 mt + 600 mt = 834 mt per month divided by the average 9,000 mt distributed monthly).
23. We found that although the investigation plan entailed the private agency to monitor five markets in Mogadishu, the actual monitoring was restricted to Bakara market only due to security constraints. Further, the agency found WFP supplied food in only six shops in the Bakara market out of about 100 shops selling food and non-food items in the market. The agency informed and OS accepted that WFP food was sold only in these six shops in the market.
24. The results of monitoring of only Bakara market and further only six shops in the market provide an incomplete basis to arrive at the total estimated food sold at markets in Mogadishu. Another private investigative agency engaged by the CO

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<sup>3</sup> The monitoring culminated in a cross-border monitoring report prepared by the CO in November 2009.



(before the investigations were taken over by OS) had undertaken review of 14 markets in Mogadishu. OS stated the following :

- The work of this agency was not considered because it did not provide sources or evidence to support its findings.
- The tracking by the CO of marked WFP food distributed in the Afgoye corridor in three other important markets in neighbouring districts was included by OS in order to make up for the work that was to be performed by the investigative agency.
- Out of the 14 markets, “all commodities” were sold in only two markets (Bakara and Bacaad), of which focus was placed on Bakara market which featured in the allegations.

We are of the opinion that the tracking of food aid distributed in Afgoye corridor does not directly substitute for monitoring of food in the major markets of Mogadishu.

25. Co-operating Partners operating in the area told us that while Bakara was the major market in Mogadishu, food items were sold in other major markets like Bacaad, Karaan, Manopolo, Sinay and Medina markets.
26. A cross-border monitoring report indicated a higher level of food from the Afgoye area crossing the border than the 10 per cent estimated by OS. We note that this report was issued in November 2009 after the conclusion of its investigation mission in October 2009.
27. The authors of the report on cross-border monitoring pointed out that the findings must be read against the several limitations of the monitoring exercise caused due to seasonality of data collection, limited monitoring at only two locations and collection of data for short duration (13 days and 23 days at the two locations, respectively).
28. We agree that these limitations reduce the reliability of the results. We would also like to point out that reliance by the OS on the same data source but on a base that was further restricted (as shown in the table), would raise doubts on the validity of its conclusions on the quantum of WFP food reaching the markets.
- | Location      | Cross-border monitoring data used by OS for estimation (number of monitoring days ) |
|---------------|---|
| Bakara market | 6   |
| Wajid         | 1   |
| Belet Hawa    | 6   |
| El Wag        | 6   |
29. Our analysis, as discussed above, leads us to conclude that food aid crossing the border and sold at local market may be higher than the 10 per cent worked out by the OS. The CO should put in place a system to regularly monitor and take appropriate action.

*Allegation: WFP food being sold in the local market: Sources of food sold*

30. The OS concluded that the food may have reached the local markets because the beneficiaries sold part of their rations to the local traders for sugar and tea; half bags of cereal sold for other necessities such as milk and firewood.
31. The food sold was quantified by counting the number of 50 kg bags in the Bakara market and by identifying the fully packed marked bags at El Wag and Belet Hawa towns. Even if it is assumed that some of the food grains sold by the beneficiaries in loose quantities (not the full bag) were collected by the traders and re-packed as 50 kg bags, it would not lead to the conclusion that all the 50 kg WFP bags, including the specially marked bags, observed in the markets were re-packed bags. Further, the cross-border monitoring showed that food distributed in October 2009 reached the border towns in a “very short period” which would imply that often there would not have been enough time to re-pack the bags. OS informed us that their conclusion was based on beneficiaries’ statements made to the private investigative agency. OS added that traders buy half of a ration collectively from a number of beneficiaries in complete bags and that there was no need for re-bagging.
32. The private investigative agency had also reported in November 2009 that three camps (Hilaal, Basra and Fidow camps) had not received food aid for five previous months. The report quoted an interview with a beneficiary from the Hilaal camp asserting the same. However, we found that Hilaal was included in the Distribution Plan (October 2009) and further food aid monitors (FAMs) for Hilaal camp had certified (pertaining to September and October 2009) that food was distributed at the camp during the two months. OS commented that since the WFP staff had no access to the Afgoye corridor since May 2009, the FAM report was based on monitoring by telephone on the day of food distribution. The fact remains that food was certified as distributed even though it was not received by the beneficiaries.
33. It may also be pointed out that the cross-border report indicated that a substantial portion of food delivered to a CP had crossed the border. We note that this exercise took place after the OS investigation.
34. These findings do not support an emphatic conclusion that food sold by the beneficiaries was the only source of food aid found in the markets.

*Allegation: Fictitious camps are created and WFP rations misappropriated*

35. The private investigative agency contracted by OS randomly selected 17 camps to verify their existence and confirm the number of beneficiaries in the camps. Although the agency found variation in the beneficiary numbers, they could verify the existence of the camps. The OS concluded that no evidence was found on creation of fictitious internally displaced person (IDP) camps and the associated misappropriation of WFP rations.
36. We reviewed the report of the private investigative agency and found that it had indeed verified the existence of the IDP camps.

37. However, there are some leads arising from the 2009 monitoring report which if investigated, could lend pith to the investigation. Out of the three months test-checked by us, the CO's monthly Monitoring and Evaluation (M&E) Report of October 2009 contained a finding that there was no distribution at one of the final delivery points (FDPs), Fiidow in Jalaqsi. This FDP was later omitted from the November Distribution Plan. We were told that the field-level agreement (FLA) with the CP was cancelled and the value of food not delivered was recovered from the pending invoices of the CP. The reasons how the FDP came to be included in the previous distribution plan necessitate further investigation. WFP Management informed us that camps in the Somalia context are not the same as in others. Much of the displacement is short term and even settlements can open and close on a fairly regular basis consequently not finding a FDP in one month did not necessarily mean that it did not exist two months before. Nevertheless, WFP Management agreed that the new information may merit further investigation by OS on the reasons how the FDP came to be included in the previous distribution plan.
38. We also noticed that the private investigative agency initially engaged by the CO had reported that they were unable to locate two out of six camps that they had selected for verification. OS told us that the private investigative agency engaged by the CO did not provide details of the camps they could not locate. As a result further investigation was not pursued.

#### **Allegation: Families of combatants are registered as IDPs**

39. The MGS had alleged that families of combatants were "routinely registered as internally displaced persons [...] inflating the numbers of those in need". The OS felt that this allegation could be subsumed under the larger allegation of fictitious IDPs and food diversion and that its work in that area was sufficient to address this allegation as well.
40. We found that another private investigative agency engaged initially by the CO had stated in their report that, "Al Shabaab (AS) was receiving food aid indirectly as most of the AS militia are local militia whose families are no doubt part of the beneficiaries and recipients of food aid in all its forms". The OS informed us that they did not rely on this report because of lack of specific supporting evidence. The Management stated that it does not register IDPs separately and assistance is provided to all in need regardless of whether or not he/she or the child is potentially a family member of AS. WFP also cannot distinguish between hard-line AS fighters and people in AS-controlled areas who feel that they have no other option but to align themselves with AS.

### **Procurement of Services**

#### **Allegation: Three transporters received 80 per cent of transport business**

41. The MGS reported that the transportation budget for WFP in 2009 was approximately US\$200 million and alleged that three transporters received 80 per cent of this business.

42. OS observed that the statement “the transportation budget for WFP in 2009 was approximately US\$200 million” is incorrect as the actual payments to transport contractors in 2009 was about US\$62 million. The allegations concerning ‘irregular procedures’ had been examined previously, the control weaknesses had been identified, and Management was in the process of implementing the recommendations to control these weaknesses. The overall conclusion of the OS was that there was no evidence of any wrongdoing on the part of WFP staff.
43. Our review of the documents revealed that the transport budget for 2009 was US\$82 million approximately. The actual payment to all the transporters<sup>4</sup> (seven ocean transporters, 31 inland transporters and six overland transporters) for the contracts awarded in 2009 worked out approximately to US\$62 million, of which the three transporters<sup>5</sup> received 66 per cent. This was lower than their share in 2008 which was 81 per cent. In tonnage terms, the three transporters accounted for 49 per cent of the total allocated tonnage in 2009 as tabulated below:

Nature of transportation	Total tonnage allocated (in mt)	Tonnage allocated to the specific three transporters (in mt)	Per cent of tonnage allocated to the three transporters
Ocean transport	257 728	207 878	80.65
Overland transport	22 016	0	0
Inland transport	523 020	181 917	34.78
<b>Total</b>	<b>802 764</b>	<b>389 795</b>	<b>48.56</b>

44. OS was of the view that control weaknesses identified in its report were mainly due to unclear provisions in the “Tariff System<sup>6</sup> Contracting” section of the Transport Manual. Based on its recommendation, a revised version of the Transport Manual was issued in September 2010.
45. There were clear instances of deviations from the prevailing manual provisions which were identified by OS as well. We are of the opinion that the CO’s decisions should have been guided more by the spirit of the prevailing Manual that “it is important to ensure transparency in allocation of business to transport companies”. Currently, the transport contracts are distributed over a larger number of transporters. The three contractors in the eye of the allegations have been temporarily suspended but other transporters manage WFP’s current needs.

<sup>4</sup> Including handling and warehouse management charges

<sup>5</sup> Swift Traders Ltd, Deeqa Construction and WWD Co. Ltd and Al-Towfiq Trading Company

<sup>6</sup> When one transporter cannot meet the entire requirement, transport is contracted on the basis of a tariff system. Tariffs are established on the basis of a competitive bidding process with WFP short-listed transport companies, and market study. Transporters are requested to confirm their agreement to the tariffs, after which a contract is entered into by WFP with each transporter for all destinations. In this way a pool of transporters is established. When transportation is needed, WFP allocates cargo to the transporters on the basis of transport capacity available per transporter at that point in time.

#### Allegation: Conflict of interest between Deeqa Construction and SAACID

46. MGS had alleged that there was a conflict of interest between a transporter – Deeqa Construction whose Chief Executive Officer was referred to as “Enow” and the WFP Co-operating Partner SAACID whose President was “Enow’s wife”.
47. We noted that the OS had identified this conflict of interest in 2009 and the WFP Management responded promptly in November 2009 to address this issue. Further, we verified the waybills of Deeqa Construction and found that the transporter had not made any delivery to SAACID since November 2009.

#### Allegation: Staged looting of food from a transporter’s convoy

48. OS was of the view that no further action was required on this allegation as the concerned transporter, Deeqa Constructions Limited, had repaid the food which was lost.
49. We noted that 1,229.65 mt of food despatched on 22 September 2008 through Deeqa to Bakool region was lost in transit. We checked the food recovery certificates and as reported by OS, 1,229.55 mt of food was indeed recovered from the transporter.
50. However, we also agree with the MGS finding (paragraph 253 of the MGS report) that the performance bond of the transporter (for 30 per cent of the value of the shipment) was not used to recover losses; instead, the recovery was made from future contracts (in nine instalments between January and September 2009). The reasons for this arrangement were not adequately documented.
51. OS stated that the decision not to revoke the bond and agree to a repayment plan with the transporter was made with inputs from the Operations Department Logistics and Legal Services. The Management stated that the scale of looting in this case was unprecedented in Somalia; Deeqa repeatedly pleaded that a full repayment would bankrupt the company and requested WFP to give it additional business in order to help them to pay back the loss. The Management explained that WFP never agreed to this request and confirmed that there was absolutely no link between Deeqa’s recoupment of the loss and future business/contracts given to Deeqa.

#### Allegation: Building of road from El Maan to Isilay airstrip

52. MGS alleged that WFP assisted Adaani’s Swift Traders to reopen the El Maan port as an alternative to the Mogadishu port “ostensibly as a contingency plan”. Adaani also received a WFP contract to build a road from El Maan to Isilay airstrip, which according to government port officials “...does not correspond with any known humanitarian delivery route and it was intended to provide armed opposition groups access to the airstrip”.<sup>7</sup>
53. OS focused on the main allegation of the MGS that a road was built to an unknown humanitarian delivery route and did not examine the procurement process

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<sup>7</sup> Somalia Monitoring Group report document S/2010/91

associated with the allegation. The conclusion was that the CO could have been more engaged with the United Nations country team in Somalia regarding the initiative to build a road and that no further action was required on this allegation.

54. We examined the documents relating to the procurement process and have concerns on the following issues:
  - Scoping of work
  - Waiver of competition in procurement;
  - Upward revision of cost estimates; and
  - El Maan port was not used after rehabilitation.
55. The facts determined from the documentation provided and further comments by WFP Management are described in the ensuing paragraphs.

### *Scope of work*

56. Swift Traders (ST), a key stakeholder in El Maan Port, submitted a US\$645,000 proposal in September 2008 for rehabilitation of a stretch of road from the port up to a junction where it met the road joining Balad main road. While outlining an eventuality that may lead to closure of Mogadishu port and necessitate use of El Maan<sup>8</sup> as an alternative port, the proposal stated that “the road from El Maan to the junction that stretches 17 km is unpassable because of its condition, we propose the rehabilitation of the road system from El Maan Port to the road joining the Balaad Main Road”. The proposal from Swift traders included no maps explaining clearly which stretch of the road they were referring to.
57. The possible use of El Maan port as an alternative to the Mogadishu port necessitated that the two parts of the 29 km road connecting El Maan port to the Aliyale village in the Mogadishu-Balad main road was fit for use: the first stretch of 14 km from El Maan port to Isilay airstrip and the second stretch of 15 km from Isilay airstrip to Aliyale village in the Mogadishu-Balad main road. WFP Management recognised that the language included in the proposal was imprecise and could be interpreted either as a proposal to repair only the road from El Maan to Isilay Airstrip or a proposal to repair the road from El Maan to Aliyale village of Balad.
58. On 21 September, a WFP engineer based in Mogadishu submitted a report of a survey of the road from El Maan to the Balad highway. The survey, based on a field visit, outlined (on a map) the need to rehabilitate a 15 km stretch of road from Isilay airstrip to Aliyale village in the Mogadishu-Balad main road (From ‘B’ to ‘D’ in the map in *Annex 3*). The Management stated that this *implied* that the 14 km stretch from El Maan to Isilay airstrip was usable. We note that the survey report was carried out two weeks before the CO approved on 8 October 2008, US\$3,000 for a needs assessment covering a stretch of 29 km from the port of El Maan to the

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<sup>8</sup> The El Maan Port was a commonly used alternative in the past when Mogadishu Port was closed during 1995–2006.

Aliyale village of Balad via the Isilay Airstrip. Further, there was no mention that the 14 km road stretch was usable in the survey report of the engineer, the proposal from the CO to the HQ or any other supporting documents.

59. The contract was awarded to rehabilitate the 15 km stretch of road from Isilay airstrip to Aliyale village in the Mogadishu-Balad main road (From 'B' to 'D' in the map in *Annex 3*). ST had in their proposal suggested selection of contractor through a bidding process. However, the contract was awarded to ST by waiving competitive tender process on grounds of emergency. The CO informed us that when the project was conceived, withdrawal of Ethiopian troops from Mogadishu was imminent, which necessitated a contingency entry point (alternative to Mogadishu port) immediately.

### *Project cost*

60. The cost of work was estimated at US\$506,940<sup>9</sup>, of which WFP was to bear US\$253,470 representing 50 per cent of the cost<sup>10</sup>. However, ST demanded a minimum of US\$322,500<sup>11</sup> for the rehabilitation work. A second estimate prepared by the CO pegged the cost at 746,303<sup>12</sup>, which was 47 per cent higher than the first estimate. The contract was awarded for US\$342,000 (50 per cent of US\$684,000), which was higher than the amount demanded by ST and much higher than the cost initially estimated by the CO.
61. The CO informed us that the second estimate was based on responses to tenders in the local area and was considered to give a more accurate reflection of the likely cost for the work. In the initial proposal presented by ST, a cost of US\$645,000 was indeed proposed. However, once they received the detailed bill of quantity from WFP, they revised this to US\$684,605. The substantial upward revision of the estimates by 47 per cent to US\$746,303 appears weakly supported given that the contractor agreed to a total of US\$645,000 (of which WFP would pay US\$322,500).

### *Contract conditions*

62. Special conditions to the contract provided for payment of 20 per cent advance payment to ST upon receipt of bank performance security of an equivalent amount. Subsequently, on ST's request (December 2008), the condition on performance security was waived and the contract conditions changed by agreeing on monthly interim payments. The reasons for altering the payment conditions are not justifiable if viewed in the light of the fact that ST, as a major transport contractor for the CO during the period, was able to provide performance bonds equal to 30 per cent of the cost, insurance and freight (CIF) value of the tonnage allocated. We also noted that the alterations violated the directions of the HQ Purchase and Contracts Sub Committee (PCSC). WFP Management has confirmed that compliance with PCSC conditions is an essential component of internal control, which had not been correctly applied by the CO in this case. The CO agreed that the conditions of the PCSC should have been followed

<sup>9</sup> Using the prices given by ST as reference

<sup>10</sup> The balance 50 per cent was to be borne by ST and a WFP transporter, Deeqa Construction

<sup>11</sup> Being 50 per cent of US\$645,000.

<sup>12</sup> In line with the median prices submitted for the Wajid to Baidoa road works project

but pointed out that the changes were not acted upon and no interim payments were made.

### *Use of the road*

63. The CO informed us that since completion of the rehabilitation work, no food was brought in through El Maan port although there was a contract for shipment to El Maan port as a contingency measure if the Mogadishu port were to be closed. The CO stated that transporters did mention orally the use of the road from Mogadishu port to the interior of south/central Somalia from 'A' to 'D' via 'B' (until WFP ceased operations in southern Somalia at the end of 2009). As these were oral comments, no documents were available to support this claim and the CO did not track the exact routes used by the transporters.
64. We are of the opinion that the contract management lacked transparency in which WFP's interests were not firmly secured. WFP management informed us that the Inspector General has included a further review of certain aspects of the procurement process in his ongoing investigation activities in Somalia.

### **Overall conclusion**

65. We recognise that there is more information now available for analysis than was available in 2009 when the OS investigated the allegations. We also recognise that the OS reports over a period of time had been pointing out the weaknesses in controls in Somalia operations. The investigation report of December 2009 must be viewed in the light of these previous reports of the OS. The 2009 Report has served as the template for examining the control weaknesses and the recommendations therein directed the changes necessitated to mitigate these weaknesses. Notwithstanding the above, we believe that our report identifies two areas that lend themselves to additional work of investigation.



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## **Part II - Assessment of Internal Controls**

## ***I. Control Environment***

### **Integrity and Ethical Values**

66. The Ethics Office was created at WFP in January 2008. Since its inception the Ethics Office has implemented a whistleblower policy, a financial disclosure programme and a Code of Ethics. Further, the Office provides online training on Ethics and also advises staff on issues of conflict of interests, acceptance of gifts, outside employment, etc. We feel that these are good initiatives that would help in fostering an ethical climate in WFP.

***Recommendation:*** *A staff member in each office must be nominated as an ethics advocate to be a flag-bearer on ethical issues and to act as a first point of contact to resolve ethical dilemmas.*

### **Organisational and Reporting Structure**

67. WFP has a three-tier organisation structure with the HQ, six Regional Bureaux (RBs) and 78 COs. The HQ is in charge of governance, strategic planning, policy-making and macro-level monitoring. The RB provides technical assistance to the COs and performs oversight over the COs on adherence to corporate guidelines, practices and procedures.
68. We assessed the work done by the RB, Johannesburg with respect to Somalia CO and found that the RB followed an exhaustive check-list for undertaking oversight missions. We are satisfied with the quality of the Financial Oversight Mission of the RB.
69. We did not receive other oversight mission reports carried out by the RB. The RB informed us that there was no corporate requirement for the mission reports to be in writing with some missions consummated through oral briefing session with the staff of the CO. The oversight check-lists used by the RB did not have corporate sanction, but the RB had made it standard practice that all oversight missions should use them.
70. The CO perceived RB as a source of immense and timely support in the aftermath of the allegations. However, in general, the CO considered that with a large jurisdiction and inadequate resources, RBs were not well-equipped to provide the requisite oversight.

### ***Recommendation:***

*(a) The Regional Bureaux have an important role to play in the organisation as they are closer to the COs and are better placed to quickly respond to their needs. The RBs should be provided necessary resources to enable them to discharge their work more effectively.*

*(b) The HQ must prepare a standardized check-list for oversight mission for each functional area, based on OS's inspection check-list, and all future oversight missions of the RBs must be undertaken according to the approved check-list.*

*(c) All mission reports of RBs should be in writing so that the documentation of work undertaken by the mission and their findings are available for future reference.*

71. A position of Compliance Officer has been created recently at WFP Somalia. Besides assisting the CO in creating a viable control environment and to conduct periodic reviews to ensure compliance with such controls, the Compliance Officer would also be a focal point for risk assessment. We consider this to be a good initiative in the short-term, given the high-risk environment in which Somalia operations are carried out.

*Recommendation: The Terms of Reference of the Compliance Officer must be carefully reviewed once the systems and procedures are streamlined. Our opinion is that continued handholding by the Compliance Officer, should not cause the dilution of the accountability of the Country Director and other managers from assuming responsibility for controls.*

### **Human Resources and Practices**

72. The OS Report of February 2010 had pointed out deficiencies in Human Resources (HR) practices relating to recruitment and roster maintenance at the CO. We are satisfied with the significant improvements made by the CO while implementing the OS recommendations for increasing transparency in recruitment. We test-checked three recruitments completed recently and found them to be compliant with the approved procedures.
73. Performance evaluation of employees is required to be carried out in three phases - at the beginning of the reporting period (Phase 1), a mid-period review (Phase 2) and at the end of the reporting period (Phase 3). Target dates have been prescribed for completion of each phase. Only 45 per cent, 30 per cent and one per cent of the PACE forms of 2009 relating to the staff (working/had worked) had been completed within the prescribed dates for Phase 1, Phase 2 and Phase 3 respectively. The compliance rate was higher for the national staff than the international staff mainly because the HR Officer at the CO has online access to the PACE forms of the former and is able to closely monitor submission of forms.
74. Our test-check of PACE forms of international staff showed that they were incomplete with vital details relating to competency review left blank in many forms. Further, the documents referred to in the completed PACE forms were not available.
75. We are of the opinion that the procedure relating to submission of PACE forms is satisfactory. The problem lies in enforcement of the prescribed procedure. We appreciate that the HR Unit at the CO has been providing training to the staff on the importance of timely and accurate completion of PACE forms.

*Recommendation: Submission of the forms must be monitored more closely at HQ and the CO. Timely reminders must be sent for submission and the forms checked for completeness, with a follow-up to resubmit, if the forms are incomplete. Warnings and disciplinary action must be used as a last resort against persistent defaulters. The Management assured us that HR is currently working with the IT Division on a project to enhance PACE which will ensure completeness of entries and facilitate quality checks.*

## Management Philosophy and Operating Style

76. It is the responsibility of the top management to set the tone in the organisation for compliance of rules and regulations. A clear message from the management is essential to enforce compliance with controls.
77. We laud the initiative on 'Anti-Fraud and Anti-Corruption Policy' which needs to be followed up with a 'Fraud and Corruption Prevention Programme'.

*Recommendation: Internationally there is a growing recognition of the importance of self-monitoring vis-à-vis external monitoring. Our view is that WFP Somalia CO could present an ideal setting for a pilot on self-assessment mechanism. Consistent with the OS's inspection check-list, a self-assessment check-list of key controls must be developed for the CO, on the basis of which they must assess themselves at the year end in a report to the country director (CD). We are of the opinion that this would encourage them to assume ownership of controls thus enhancing accountability.*

## II. Risk Management

### Risk Appetite and Risk Management

78. WFP is preparing a Corporate Level Strategic and Operational Risk Register (CRR). A Somalia Risk Register (SRR) was prepared in 2010 by the RB; a special mission from the Field Emergency Support Office in Dubai (on behalf of the CO) was working to align the SRR with the CRR. A Risk Management Office is being set up in Somalia under the Resident Humanitarian Coordinator and efforts are being made to arrive at a common approach amongst United Nations and other international humanitarian stakeholders for operating in the country.
79. We feel that these initiatives will enable a more effective handling of risks.
80. We noticed that the risk appetite is not quantified for the operational side, whereas the same is available for security matters. The Risk Registers have been prepared for inherent risks (risks that are intrinsic to WFP business activities and arise from exposure to and uncertainty from potential future events) and not for residual risks (risks that remain even after the implementation of controls).

#### **Recommendation:**

*(a) Risk appetite must be quantified separately for high-risk operations (like areas of Somalia with restricted access) and normal operations (like areas of Somalia where WFP staff have access).*

*(b) In addition to the inherent risk register, a residual risk register must also be prepared so as to draw an assurance that the residual risk is within the risk appetite.*

### Recognition of Warning Signals

81. The OS report of February 2006 rated the WFP Somalia CO as high risk due to, (a) the significant weaknesses noted in the areas of Programme, Transport, Logistics and Commodity Management, and (b) inadequate implementation of its key recommendations made in their earlier report of 2003.

82. In a meeting in July 2007, the Prime Minister of the Transitional Federal Government (TFG) of Somalia had made several complaints about the United Nations agencies working in Somalia to the United Nations Secretary-General. As some of the complaints related to WFP, the OS conducted an inspection in September and October 2007. The OS report of December 2007 rated WFP Somalia as high risk with a conclusion that 'given the high risk operating environment in Somalia and the control weaknesses in Programme and Logistics, WFP remained vulnerable to accusations of mismanagement and even corruption'. It recommended that WFP management should be conscious of the possible reputational risk involved in such circumstances and consider apprising the Executive Board as a risk-mitigating measure.
83. The subsequent annual report of the IG did not make a mention of Somalia operations. We feel that the Management should have taken cognisance of the imminent risks and shared such information with the EB, which would have helped in taking timely action to mitigate such risks. WFP management acknowledge that, with hindsight, they should have been more proactive in discussing the reputational risks arising from operations in Somalia with the EB.
84. The e-mail correspondence between the MGS and WFP indicate that some of the key issues that appeared later in the MGS report were part of their correspondence.

*Recommendation: We are of the view that reputational risks could have a more pervasive organisational impact as compared to operational risks whose impact would generally be localised. Hence, the Resource Management and Accountability Department (RM) should be assigned the responsibility for collection and analysis of warning signals for significant reputational risks and for escalation of such signals to appropriate levels. The RM should work closely and share its work with the IG, OS and the Audit Committee.*

### **Response to External Allegations**

85. In the absence of a laid down response strategy, WFP was not fully prepared to respond decisively to the MGS allegations. The external stakeholders felt that they were not adequately briefed about WFP's response to the allegations and that there was no clarity on whether the CO or HQ would respond to their concerns. A swifter response (there was a time lag of about six months between the Channel 4 News allegations and the submission of investigation reports by the IG) and greater transparency could have assuaged the stakeholders. Management acknowledged that their communication to external stakeholders could have been greatly improved and indicated that it had taken a number of steps in this regard in recent months. Corporate initiative to strengthen risk and performance should help the Programme to identify and escalate risks and issues to the right level of management for swift action.

*Recommendation: Management should develop and implement a strategy to respond swiftly, decisively and transparently to major external allegations.*

### *III. Selection and Development of Control Activities*

#### **Preparation of Allocation Plan**

86. The Allocation Plan (AP) is an essentially need-based, half-yearly plan, based on the results of the inter-agency food security and nutrition assessment led by FSNAU (FAO)<sup>13</sup>. The AP is prepared on the basis of the assessment results and contains FSNAU data, Office of the United Nations High Commissioner for Refugees (UNHCR) data on IDPs and WFP food security data. The plan seeks to assess the district-wise beneficiary numbers and food distribution under each programme.
87. Although the beneficiary numbers and food allocation are primarily calculated on the basis of standard operating procedures (SOPs), the final Allocation Plan undergoes changes as decided during various AP meetings.

Allocation in October 2009 for Mogadishu is a case study. The initial estimate of beneficiaries was of 23,463 for general food distribution (GFD). The CO told us that there was an error in the calculation sheet and that according to the final FSNAU report there were 85,000 beneficiaries, out of which 80,000 were covered. The CO added that the beneficiaries for nutrition programmes were based on information received from the nutrition cluster and IDP figures were based on own assessment of WFP and UNHCR. Our view is that the CO should maintain a complete documentation trail from the initial calculations to the final numbers in the Allocation Plan, which presently was not available. The CO considered that e-mail exchanges would provide such a trail.

88. Our analysis showed that under GFD in the Central region in August 2010, 32 per cent of beneficiaries indicated that they had received food from organisations other than WFP. This underscores the need for the AP to be further fine-tuned to detect and remove overlap between WFP and other agencies.

***Recommendation:** To ensure greater transparency, complete documentation trail to justify the numbers in the final Allocation Plan should be ensured.*

#### **Preparation of Distribution Plan**

89. A monthly Distribution Plan (DP) is prepared which has village-wise and FDP-wise beneficiary numbers and quantity of food proposed to be distributed. The disaggregation of district-wise data to FDP-wise data is a challenge due to lack of access to various regions in Somalia. A commendable initiative in this regard is the preparation of a 'village database' for Somalia. DPs for Somaliland, Puntland and most of Central regions (for *post-gu* 2010 period) were prepared on the basis of this database. But this initiative was yet to stabilise and timelines were not fully adhered to. For instance, the CPs were yet to validate the database for Hiraan, Shabelle and Juba regions and the due date was August 2009. The database was due to be updated in June 2010, but was completed in only one (Central) out of the eight regions due to lack of access in five regions. In the other two regions, the database was validated in 2010 with this validation being the first "update".

<sup>13</sup> FSN Reports are prepared by the Food Security and Nutrition Analysis Unit (FSNAU) of the Food and Agriculture Organization of the United Nations (FAO)

90. We found that the DPs did not always reflect the ground-level realities. For instance, the August 2010 UNHCR Somalia Briefing Sheet reported that “after the eruption of fighting between government forces and armed opposition groups on 7 May 2009, hundreds of thousands of people fled from their homes in Mogadishu (over 200,000 in 2010 only)”. This would imply a reduction in food aid to Mogadishu. However, the number of estimated beneficiaries in Mogadishu reflected in the APs and DPs showed an increase:

*(Figures in brackets are food quantities in mt)*

<b>Nature of plan</b>	<b>March 2009</b>	<b>October 2009</b>	<b>June 2010</b>
<b>Allocation Plan</b>	341 250 (4 951)	348 865 (3 640)	533 150 (7 047)
<b>Distribution Plan</b>	281 419 (4 827)	298 229 (4 356)	476 532 (5 026)

91. The food distribution in Mogadishu also registered an increase of 83 per cent from 2,107 mt (October 2009) to 3,855 mt (June 2010). WFP Management explained that it did not accept the UNHCR briefing note as an appropriate source document for adjusting or verifying beneficiary targeting decisions. They added that UNHCR did not systematically track returns to Mogadishu and as such there was a constant ebb and flow to and from the capital which was not formally captured. The CO justified the increase in the plans as being necessitated by the following:
- To provide rations to 44,000 IDPs of Afgoye in an alternate FDP in Mogadishu, because of reduced access in Afgoye.
  - Due to the special programme which accounted for 185,000 beneficiaries and 1,050 mt of food.
92. These comments are not convincing for the following reasons:
- The UNHCR figure, by WFP’s own admission, is one of the source data for allocation for IDP beneficiaries (case study under paragraph 88). Further, WFP had agreed (Paragraph 102) that large urban populations that were displaced from Mogadishu were temporarily settled in Afgoye.

- Although the DP provided for 185,000 beneficiaries and 1,050 mt of food under Special GFD, only 797 mt of food was actually distributed under this programme. If this figure and the 470 mt of food for 44,000 IDP figures of Afgoye corridor are subtracted from the total food distributed in Mogadishu, the adjusted figure of 2,588 mt (3,855 – 470 – 797) is still higher than 2,107 mt of food distributed in October 2009.

A case study of a special programme illustrates the programming gaps.

A special GFD (General Food Distribution programme) for disabled and unaccompanied elderly people was included in the DP for Mogadishu from April 2010. The main reasons for introducing this new programme were: (a) Increased pressure as WFP was unable to provide food to the IDPs in Afgoye because of Al Shabaab; (b) Wet Feeding Programme (in which cooked food is provided) was no longer deemed appropriate on account of costs; (c) It was feared that an offensive in Mogadishu could increase the levels of need.

But even as it was not deemed appropriate, the wet feeding programme was continued in addition to the special GFD and a new wet feeding programme was also started. The special GFD was not included in the post Deyr 2010 AP finalised in March 2010 but about 184,650 beneficiaries were identified under the special GFD in June 2010. The actual distribution under the programme was 30 per cent short of the DP, apparently because some areas could not be covered due to security issues. We are of the view that this special GFD was taken up by the CO without adequate justification and planning, particularly when normal monitoring was not being carried out in Mogadishu.

WFP Management explained that the special GFD was an attempt at putting in place a targeted GFD as a potential alternative to wet feeding and later, discomfort with the level of oversight led to its cancellation. It was added that wet feeding was never deemed to be inappropriate, and on the contrary, was and continues to be an appropriate response option.

The CO informed us that there was no formal request from the Government of Somalia (GOS) for the programme and instead shared a letter of April 2010 from the GOS. We noticed that in their letter of April 2010 the GOS had communicated to WFP that the number of disabled and unaccompanied elderly people who needed to be fed was 27,000, whereas WFP had prepared a DP for 185,000 beneficiaries. WFP Management explained that there was no reason to believe that the beneficiaries did not live within a family setting and as is the standard practice in GFD, a family ration was provided for 162,000 (27,000 x 6) as an initial planning figure and the actual registration of beneficiaries led to a final figure of 185,000. The assumption that unaccompanied elderly people lived in a family setting, is particularly unjustified. The GOS had also communicated in their letter that they were staying away from the food distribution activities till transparency was in place.

We also noticed that beneficiary numbers were arrived at by shifting 185,000 IDPs from Afgoye corridor to Mogadishu. We are of the opinion that the use of IDP numbers to justify the number of disabled and unaccompanied beneficiaries under this programme was not correct.

93. The CO told us that the Allocation Plan provided a control figure to ensure that the DP allocations did not exceed this number, unless otherwise approved. We were also told that the AP is the theory and cannot possibly account for the ground realities in Somalia, particularly, given that the AP is a six month projection. We feel that preparation of the AP appears to be a stand-alone activity without strong links to the DP. For instance, the M&E monthly report of June 2010 showed that out of 17,245 mt indicated in the monthly DP, 2,280 mt (13 per cent) related to



12 programmes that did not feature in the AP, but were approved subsequently. The CO's justification for taking up the programmes in the DP, along with our comments is tabulated below:

Number of programmes	Reasons for inclusion	Our comments
5	Programmes mistakenly included in the distribution plan and food was not actually distributed	-
1	Programme was extended for additional months	Evidence justifies extensions in July and August 2010, whereas our comment relates to June 2010
1	185,000 IDPs were shifted from Afgoye to Mogadishu for Relief-Urban programme (special GFD)	Our detailed comments can be found in the case study on the Special GFD
1	A new wet feeding programme was started in Mogadishu	While the justification for starting the Special GFD was that it would be a substitute for wet feeding, a new wet feeding programme was started in addition to the Special GFD
1	Decision was made to assist hospitalised patients (institutional feeding) with a family ration rather than an individual ration	Evidence does not justify the urgency
1	Increased need was identified by the sub-office	Evidence does not justify the urgency
2	As a result of fresh registration there was an increase in the number of beneficiaries	Evidence does not justify the urgency
Total:12		

94. We are of the opinion that there is need for greater rigour in preparation of distribution plans that can help dispel a perception amongst several external stakeholders that 'WFP is a logistics-driven organisation' with success measured by the metric-tonnage of food handled.

*Recommendation: The CO should exercise greater rigour in ensuring a paper trail to adequately reflect that the necessary ground changes to the distributions are well documented.*

### **Identification, registration, awareness and participation of beneficiaries**

95. Beneficiaries for GFD and IDPs are identified by WFP's Co-operating Partners (CPs)<sup>14</sup> in close interaction with the community leaders and local authorities. In the case of targeted interventions, food aid monitors (FAMs; WFP staff tasked for on-site monitoring) selectively monitor the screening of beneficiaries by the CPs.
96. We noticed in our desk review that in some regions (for example in Central region) none of the beneficiaries of GFD/IDP had been provided with

<sup>14</sup> WFP's partnerships with CPs are critical in countries with poor infrastructure and weak governmental administrative capacity. WFP recognizes that even in countries with relatively strong administrative capacity, collaboration and partnership with CPs is beneficial

ration cards and only beneficiary lists were available at the FDPs. Food was distributed to the beneficiaries at the FDPs by calling out loud their names from the beneficiary list in public at the distribution site; the efficacy of the control rested on the hope that the community would prevent a non-beneficiary from receiving food. The CO explained that ration cards were not used in the past due to security concerns, whereas now it was a requirement for all areas.

97. The CPs identify the beneficiaries, register and provide ration cards (where available) and also prepare the beneficiary lists. We feel that the WFP relies heavily on the CPs with inadequate scope for data validation, even in areas where WFP staff has access. The CO explained that identification of beneficiaries, preparation of ration cards and beneficiary lists by the CPs was the norm for WFP globally and that WFP could not take on this workload in all the communities. The Management added that WFP will continue to validate the work of the CPs through ongoing distribution monitoring. Our suggestion is for WFP to validate the identification of beneficiaries on a test-check basis, before the stage of distribution monitoring, at least in areas where WFP staff have access.
98. Further, the beneficiary lists as well as the food entitlement of the beneficiaries were not displayed at some FDPs. The FAMs informed us that beneficiaries were informed of their entitlements during mobilization meetings. Acknowledgements/thumb impressions of the beneficiaries were not obtained on food distribution in some regions; the CPs made a noting in the beneficiary list or on the ration card of the beneficiary. WFP's new Standard Operating Procedures (SOPs) for GFD seek to address these issues.
99. We are pleased to note that Food Management Committees (FMCs) comprising representatives of beneficiaries have been constituted in all the regions as per the monthly monitoring reports. This represents an achievement in the Somalia context. Women are in leadership positions in 44 per cent of these committees.

**Recommendation:**

*(a) WFP should validate the identification of beneficiaries on a test-check basis before the stage of distribution monitoring, at least in areas where WFP staff have access.*

*(b) The provisions of the new Standard Operating Procedure relating to issue of ration cards, display of beneficiary entitlements and, obtaining acknowledgement of beneficiaries should be implemented immediately. WFP should explore the use of technology (like use of biometric ration cards) on a pilot basis in stable regions.*

**Distribution of food in Afgoye Town**

100. We noticed that 58 mt of food was distributed to 6,040 beneficiaries under institutional feeding and supplementary feeding programmes in June 2010 in Afgoye when AS had clearly prohibited WFP from operating there. We were informed that the distribution was in Afgoye town, which was under Hizbul Islam (HI) which had not banned WFP. The only viable route from Mogadishu to Afgoye town is via the road that now constitutes the Afgoye corridor where AS has check-points, which makes it an extremely risky operation. Our discussions with the external stakeholders show that they were not aware of this operation. WFP

Management explained that there is an extremely high need for food assistance at Afgoye as a large urban population displaced from Mogadishu had temporarily settled in Afgoye.

***Recommendation:** The CO should re-assess the risks involved in undertaking the food distribution operations at Afgoye in consultation with other stakeholders.*

### **Working with Co-operating Partners**

101. WFP relies heavily on the CPs for identification and registration of beneficiaries, besides food distribution and hence management of CPs is critical to its operations. Till recently, the CPs were assessed by the sub-offices according to a minimum criteria check-list. However, since this was considered subjective, the CO introduced a capacity assessment tool in May 2010 to assess the CPs before their engagement. The CPs are now rated on a scale of 1–5 against various parameters and those with an overall rating of 3 and above are rated as qualified. This has made the process more transparent. However, the ratings against individual parameters are not supported by evidence, impairing the objectivity of the process. WFP Management informed us that the supporting documents contain sensitive information and that the CPs would not be willing to share it with an external audience. But our discussions with the CPs indicated that in their perception, the CO was in a position to demand and obtain such supporting documents that they deemed fit.
102. The CO informed us that they had been able to maintain relationships during the past three years with some 47 CPs out of a total of CPs engaged ranging from 280 in 2008 to 140 in 2010. This is a small proportion of the total of CPs involved each year. Our audit also revealed that not all the 47 CPs had actually distributed food in each of the past three years and that some have since had their relationship terminated. We recognise that there are significant problems with maintaining a long-term relationship with CPs in the Somalia context but consider that this should be an important medium-term goal for the CO.
103. The CO has strengthened the follow-up of the evaluation procedures in 2010 by introducing a tracking sheet and by insisting on evaluation at the time of renewal of the FLAs with the CPs. We, however, noticed shortcomings in the evaluation systems as illustrated below:
  - As of 1 November 2010, the evaluation was completed only for 10 out of the 80 CPs for which it was due. The CO informed us that evaluation of only eight CPs to be evaluated was due. The CO explained that 56 of the partners were “special case” partners and were not identified through a normal process but were identified by a special committee formed by the CD and consisting of WFP and government officials. The reason why the normal process was not followed for these cases was that these project proposals (within the approved 400 mt limit for all food-for-work/assets projects) were proposed by a particular CP. If the project proposal was selected the CP was automatically appointed. We were informed that currently none of these partners had a contract with WFP and if engaged, would be evaluated as per the guidelines.

- There were inconsistencies between the qualitative and quantitative ratings and numerical errors in working out the overall performance rating.
- The information already available was not used for evaluation. For instance, the adverse findings on one of the CPs in the cross-border monitoring by the CO in November 2009 did not get discussed in the evaluation in April 2010, wherein the CP was given an overall rating of 96 per cent. The CO pointed out that there was a miscalculation and that the actual rating should be 59 per cent.
- The CPs whom we interviewed were not aware of the criteria used by WFP to evaluate them.

***Recommendation:***

*(a) The capacity assessment of Co-operating Partners should be supported by adequate documentation to achieve the main aim of greater objectivity.*

*(b) Due diligence must be exercised before selecting Co-operating Partners and once selected, the CO must strive to nurture long-term relationships at least in areas where activities remain the same from one season to the other.*

*(c) There should be strict adherence to the timeframe for completion of evaluation supported with regular supervisory check.*

*(d) To enhance transparency, the evaluation criteria to be used should be shared with the Co-operating Partners upfront at the time of finalising the field-level agreements.*

**Transport Contract Management**

104. Our review of the records of 2010 showed considerable improvements geared towards greater transparency in the award of transport contracts and cargo allocation. A country-specific Standard Operating Procedure was in operation from October 2010 and the tariff system section of the Transport Manual has been amended and put to use. The Allocation Plan is being prepared on the recommendation of the Local Transport Committee (LTC) and with the approval of the CD. Efforts are being taken to allocate the cargo amongst various transporters equitably. We recommend that these good practices must be sustained.
105. In five cases, the CO paid pro-rata rates for transportation of food to new destinations, which were higher than the market rates. The CO informed us that this provision had already been made a part of ocean transport contract. For inland transport to new destinations, the payment was made on a pro-rata kilometre basis and the new destination was then included in the next Request For Quotations (RFQ) as a separate service. The CO added that while it was relatively easy to collect market rates for ocean transport, it was far more difficult to collect market rate for inland/road transport within Somalia.

## Receipt of Waybills and CP Reports

106. Whenever food is despatched, a waybill<sup>15</sup> must accompany the consignment. The transporters are required to submit the waybills to the sub/area offices within 10 days of delivery of goods, which is then required to be captured in COMPAS<sup>16</sup> within a day. The OS had recommended (December 2009) that backlog of data capture in COMPAS must be eliminated.
107. An analysis of data on 'waybills not received'<sup>17</sup> showed that 2,046 waybills under which 12,460.331 mt of food was despatched, were yet to be captured in COMPAS. For about two per cent of the despatches, 'waybills received' details had not been captured in COMPAS more than a month after the date of despatch. We consider this to be within the acceptable threshold.
108. However, we are concerned that waybills had not been received for 65 despatches made six months earlier. We also found that the problem of outstanding waybills was acute for despatches made from Galkayo to Adado, Hoby and Mataban.
109. We were informed by the Implementing Unit (IU) that CP distribution reports had been reconciled for all despatches made up to 30 June 2010. However, the worksheet provided to us by the Logistics Unit showed that there was no record of distribution in respect of 37 CPs to whom 3,121.196 mt had been despatched (including multiple despatches) as of 30 June 2010. The IU later clarified that they monitored through their own worksheet and that reports had not been received from only six CPs out of these 37 CPs. As both units generate their reports from COMPAS, the reasons for differences between the figures are not clear.

### **Recommendation:**

*(a) Further allocation/delivery should not be made to transporters/ CPs who do not submit their waybills/reports within three months from the date of arrival of food.*

*(b) The IU and the LU together should further analyse and reconcile the reasons for the difference in the pending CP reports. The CO informed us that the Programme and Logistics Unit are already working together to reconcile deliveries to CPs with the reports captured.*

## Reconciliation and use of COMPAS

110. The Monitoring and Evaluation (M&E) Unit of the CO carries out two types of reconciliation. The first is the reconciliation between the Allocation Plan, the Distribution Plan and the food delivered to FDP<sup>18</sup>. The results are reflected in its monthly report. The M&E Unit also reconciles the FRNs<sup>19</sup> with the waybills

<sup>15</sup> A waybill represents a contract of carriage between WFP and a transporter and records all the details of the cargo transported by the particular transporter.

<sup>16</sup> Commodity Movement Processing and Analysis System (COMPAS) tracks the downstream flow of commodities.

<sup>17</sup> As of 27 October 2010

<sup>18</sup> FDP is the final destination point at which the food is distributed to the beneficiaries

<sup>19</sup> The Food Release Note (FRN) is a request given by field programming unit to logistics to release (at the warehouse door) or to deliver a defined quantity of food to a partner.

received. The M&E Unit informed us that this being a time-consuming exercise, it was completed up to April 2010 at the time of audit. In addition, the Programme Unit reconciles the CP reports against the waybills despatched and this was completed up to June 2010.

111. The details available in COMPAS were the main source for the reconciliation. We noticed shortcomings in COMPAS which in our view hampers an effective reconciliation:

- The query facility in COMPAS provides basic details of a record and a drill-down option is available if the complete details of a record are required. While this option is sufficient for viewing, it does not facilitate generation of a report and export of a full set of data. As a result, the staff retrieve the needed information from the backend through 'MS Access' which is then exported to worksheets for reconciliation. WFP Management informed us that COMPAS was developed purely as a data entry tool and separate front end applications based on 'MS Access' and 'Oracle Discoverer' were subsequently developed for generating reports. COMPAS in its present form does not make it possible to develop report generation capabilities within the application. Our contention is that data is accessed from the backend which impairs data integrity.
- COMPAS only permits a single CP report entry for a CP for a location for a specified period. However, as a CP report is to be captured per distribution site, duplicate entries are necessitated for each location. Since the system validation rules do not permit this, it becomes necessary to change the dates of the report period. As a result, the actual report date period given in the CP reports is different from the reporting date available in the system.
- As the distribution plan contains FDP level details and as food is eventually distributed at the FDP, CP reports on distribution should be available up to the level of FDP. Though the CO stated that the name of the distribution site is captured in COMPAS since 2010, we noticed that this detail was not available in 2,157 out of 9,270 records (23 per cent) relating to 2010.
- We noticed more than one record for each CP (for example Danish Refugee Council had two entries with the short name as 'DRC' and as 'SOM\_DRC') which hinders consolidation of details for a CP. WFP Management informed us that new CP names and codes were introduced in COMPAS to integrate the data with WINGS II<sup>20</sup> and that the codes relating to historical data in COMPAS were left unchanged as the work effort was not deemed necessary. Our view is that the code should be unique as we noticed users using both the old and new codes and this required data to be purified every time before generating reports.

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<sup>20</sup> WINGS II is a new SAP-based system that became operational in 2009.

**Recommendation:**

*(a) Till a new system is developed that addresses the weaknesses in the COMPAS system, standardised report-generating tools should be developed so as to prevent staff from accessing data through the backend.*

*(b) FDP-wise detail of food distributed should be captured in COMPAS for all dispatches to CPs so as to facilitate reconciliation between the Allocation Plan and the actual distribution at the final distribution point.*

**Payment to Transporters and CPs**

112. Transport contracts require the CO to make payments to transporters within 30 days of receipt of invoice; the CPs are to be paid within 21 days as per the FLAs. Many of the transporters and CPs whom we met complained of delays in payment. Analysis of payments to four CPs and four transporters in February 2010, showed that the average payment time was around 8 months, with the range being from 37 to 489 days.
113. We noticed that in the recent months the logistics, programme and finance wings had put in place a system to track outstanding invoices. The number of invoices outstanding for over three months has shown a significant reduction from 268 in February 2010 to 13 in September 2010. We feel that these efforts must be sustained. WFP Management explained that delays may be due to delayed availability of invoices and supporting documentation required to enable payment authorization and this was partly caused by the difficult operating environment in Somalia.
114. A more detailed analysis of the payments was restricted by the fact that the document date (invoice date) captured in WINGS II is not the exact date of receipt of invoice in the office. The date of receipt of invoice in the office has to be collected by examination of individual invoices. WFP Management informed us that the centralisation of invoices in Finance has been instituted with the implementation of WINGS II.

*Recommendation: We recommend that the date of receipt of invoice, being the more important control information, should be captured in WINGS II.*

**IV Information and Communication****Information and Reporting**

115. Besides the WINGS II and COMPAS, the CO uses worksheets on the Allocation Plan, Distribution Plan, Daily Dispatch Register (DDR), monitoring receipt of CP reports, evaluation of CPs, monitoring submission of PACE forms etc. These pose typical problems associated with end-user computing as illustrated below:
- Duplication of efforts: Worksheets were maintained on data related to despatch of food and its receipt by the Commodity Tracking Manager, Senior Logistics Assistant and the Programme Unit.

- Discrepancies: Discrepancies were noticed in data maintained by different members of staff and even between the summary and detailed data maintained by the same staff. For instance, we have five different data provided by the CO for the actual food distributed during January-August 2009.
- Absence of data validation: Mistakes were noticed in the data, which would not have occurred if there had been data validation controls (for instance total of male, female and children do not add up to the total beneficiaries in the allocation plans).
- Absence of version control: The Allocation Plan of March 2009 provided to us was changed later and we were informed that the data given earlier was not the final version.

116. We are concerned that such deficiencies would adversely affect the integrity of data and the decisions based on them.

*Recommendation: The staff should be trained on the risks associated with end-user computing and on ways to enhance quality of data. A coordination unit should be set up to take charge of all reconciliation work and to act as a custodian of past data to eliminate chances of discrepancy in data.*

#### **External relations and communication**

117. The CO interacts with various external stakeholders like donors, other United Nations agencies, CPs, transporters, local authorities and beneficiaries; maintaining effective relationships with them is central to the success of the operations.

118. All the stakeholders whom we met were highly appreciative of the work being done by the CO in an extremely challenging environment in Somalia. There was unanimity of opinion in that WFP has a key role to play in Somalia. Some stakeholders also felt that WFP was being subjected to unfair criticism.

119. A grouse was of unilateralism. The stakeholders complained that they were not informed earlier of the CO's decision to suspend operations in south-central Somalia, particularly when they relied heavily on WFP for various services in Somalia. They felt that greater transparency would have reduced the impact of the allegations. However, there was appreciation of the present country office team for its cooperative approach.

120. Some stakeholders also informed us that they would appreciate a transparent briefing from WFP on key issues like the levels of risk involved in undertaking dangerous operations, costs of additional controls for operating in such a high-risk environment and even a candid admission from WFP that it would not like to undertake certain operations when the risks are high.

*Recommendation: The CO should work closely and transparently with external stakeholders.*



## *V. Monitoring and Evaluation*

### **Monitoring Food Aid**

121. The OS had reported (December 2007) that standard monitoring reports were not available. Various standard monitoring check-lists had since been devised and were now being used for monitoring different programmes and for alternate monitoring.
122. The CO has a hotline to collect feedback from beneficiaries. Two local radio stations broadcast the hotline numbers and contract with two others are on the anvil. The CO is in the process of finalising contracts for third-party monitoring to be conducted by reputed international agencies. Plans are also afoot to conduct trans-border monitoring of food aid.
123. Four training programmes for FAMs were conducted during the period May 2009 to September 2010 on filling the check-lists. A system to cover every FDP at least once in two months, was also in place. We consider that these initiatives will enhance the monitoring mechanism.
124. We analysed in detail the monitoring reports of March 2009, October 2009 and June 2010, the monitoring plans and test checked the FAM reports. We also discussed the monitoring mechanism with the CPs and the FAMs. The weaknesses in monitoring are illustrated below:
  - While the coverage of FDPs in monitoring increased from 43 per cent in March 2009 to 55 per cent in June 2010, the extent of normal monitoring (through FAMs) fell from 33 per cent to 23 per cent during the same period. So, there is increasing reliance on alternate monitoring, which even according to the CPs is subject to inherent bias. The percentage of food distributed (in mt) monitored has come down from 86 per cent in March 2009 to 75 per cent in October 2009 to 56 per cent in June 2010.
  - Despite several revisions in the format of the monitoring check-lists, the monitoring reports are prepared in a routine manner and do not lend themselves to further investigation.
  - Our analysis of the monthly reports of August 2010 i.e. with Distribution Monitoring reports (DM; monitoring by FAM at the time of distribution) and Post Distribution Monitoring (PDM; monitoring by FAM by interview of beneficiaries after distribution) reports for two regions showed significant differences between them as detailed below:

Survey questions	Somaliland GFD		Central GFD	
	DM Reports %	PDM Reports %	DM Reports %	PDM Reports %
Distribution list posted publicly (Yes)	100	22	55	93
Beneficiaries aware of ration size (Yes)	100	14	100	90

WFP Management explained that two monitoring exercises were not always done in the same districts for the same months and as such the table might be misleading. It was, however, agreed that as the variance was still significant, it merited a systematic follow up which should be tracked through the CO issue tracking data base.

- The monthly report only contained the Allocation Plan, Distribution Plan and quantity of food delivered and it did not include details of food actually distributed. WFP Management explained that actual distribution details were contingent upon the receipt of reports from CPs which were often delayed by several months despite intensive efforts to receive them sooner. The CO, therefore, temporarily used delivery data as an interim proxy for distributions in the reports until the CP reports were received.

**Recommendation:**

*(a) Several key issues monitored during DM should also be covered during PDM for validation of information and to provide greater assurance. Reasons for significant variations between the two findings should be analysed immediately.*

*(b) In areas where WFP staff have access, normal monitoring should be increased. Alternate monitoring should be an exception in these areas.*

*(c) A separate report should be prepared containing details of food distributed or such details incorporated in monthly reports of subsequent months.*

*(d) As the CO is planning heavy investments in monitoring activities, possible results of monitoring and the likely follow-up action for each result should be laid down in advance. We are of the view that this exercise will guide the CO to take adequate follow-up action on the findings of monitoring and enable it to derive optimum benefits out of it.*

**Evaluation of projects**

125. We discussed the process adopted by the CO to evaluate the impact of their operations and we were informed that impact evaluations are not carried out. The CO informed us that evaluation of output and outcome is incorporated in the annual Standardized Project Reports (SPRs).

126. Our analysis of the project report of 2009 shows that the focus was heavily on outputs – number of beneficiaries, metric tonnes distributed, number of schools/literacy centres and health centres assisted, kilometres of road rehabilitated, etc. Minimal information is available on outcomes and there is little analysis of the information contained on outcomes.

*Recommendation: WFP should put in place systems to collect information and measure existing indicators of outcome and impact. Such findings should be included in the annual Standard Project Reports.*

### **General Observations on Controls**

127. We have reported on the several initiatives taken by the CO to enhance controls and ensure greater transparency in operations.

128. Our general observations on the controls and their implementation is as follows:

- The CO has budgeted for US\$1.6 million for third-party monitoring (US\$200,000 per month for eight months) and US\$1 million for cross-border monitoring. These comprise detective controls and need to be complemented with preventive controls. As preventive controls provide greater assurance than detective controls, there is a need to realign the CO strategy on controls. The CO informed us that some preventive controls on CP capacity-building and training of partners exist and further monitoring systems also serve as preventive controls when linked to action.
- Changes have been made to the report formats, check-lists and SOPs. These cannot by themselves make the difference as revision of procedures without adequate recognition of the source of the problems cannot strengthen controls. The CO informed us that many of the SOPs were too new to see concrete improvements.
- Controls are not implemented till a logical conclusion is reached or till the full objective for establishing the control is achieved. For instance, other than a general memorandum to all the CPs, specific explanation was not called for from CPs/transporters whose food was identified during the cross-border monitoring. Nor were explanations sought from the FAM who were involved in monitoring and reporting on food distribution in the regions covered under the report. The CO considered that they did take action as the agreement with one CP was cancelled and further that rations were cut as a follow up of the cross-border monitoring. We consider that the ration cuts were not a fall out of the cross-border monitoring, as the monitoring was carried out in October 2009, whereas the ration cuts were made in March and September 2009.
- The CO has not calculated the aggregate costs of additional controls in the absence of which a considered decision on continuing operations in high-risk areas is not possible.

**Recommendation:**

*(a) The CO should realign its control strategy in favour of preventive controls relating to selection and maintenance of relationship with CPs, preparation of Allocation and Distribution plans and identification and registration of beneficiaries.*

*(b) The CO should conduct a gap analysis to identify the root cause of the problem before changing procedures and practices. Procedures should be changed only if the existing controls are identified as weak. Greater emphasis should be given to training, frequent reiteration of instructions and disciplinary action to enforce implementation of controls.*

*(c) WFP should periodically work out the aggregate cost of all additional controls put in place or planned to be put in place to operate in high-risk areas where their staff have limited access. Such details should also be shared transparently with the donors so that a considered decision could be taken on whether or not to operate in such high-risk areas.*

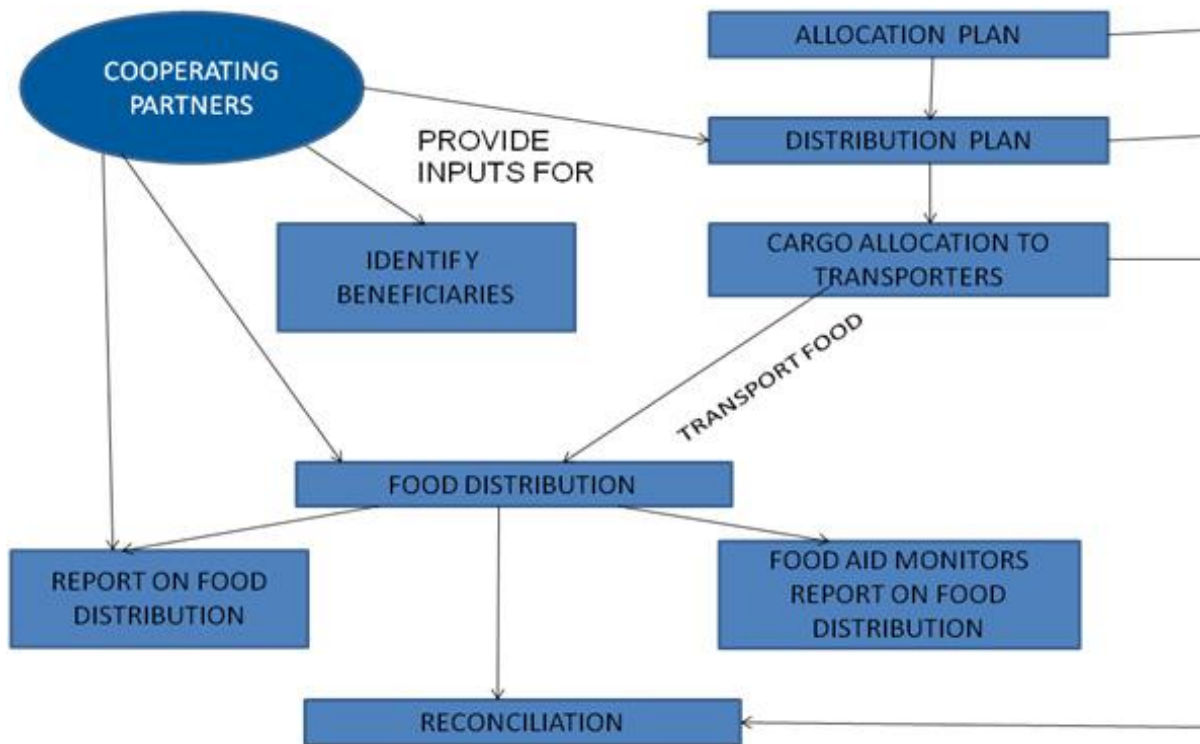
**Lessons from Somalia for similar high-risk operations**

129. A few lessons from the Somalia operations that could be considered for similar high-risk operations are as below:

- Risk appetite for high-risk operations needs to be calculated separately in addition to risk appetite for normal operations.
- Systems should be in place to pick up early warning signals for significant reputation risks, analyse and escalate them.
- Costs of additional controls of high-risk operations should be aggregated and shared with stakeholders for informed decision on continuing such risky operations.
- Strategy to respond swiftly, decisively and transparently to allegations must be in place, as high-risk operations are more vulnerable to allegations.
- As early action to enforce controls could prevent failures and resultant allegations on such failures, WFP should lay down a minimum level of baseline controls to be followed even for emergency operations.

## Annexes

## Annex 1 – Process Flow



**Allocation Plan:** The Allocation Plan (AP) is an essentially need-based, half-yearly plan, based on the results of the interagency food security and nutrition assessment led by FSNAU (FAO). The plan seeks to assess the district-wise beneficiary numbers and food distribution under each programme.

**Distribution Plan:** This is a monthly plan with village-wise and FDP-wise beneficiary numbers and quantity of food proposed to be distributed. The Co-operating Partners (CPs) provide inputs for the preparation of the distribution plan.

**Co-operating Partners:** CPs are implementing agencies with which WFP enters into FLAs to execute key tasks in the food assistance programmes. CPs identify beneficiaries, prepare beneficiary lists, issue ration cards, receive food from the transporters, distribute food and submit reports of food actually distributed by them.

**Cargo Allocation and transportation of food:** Based on the food planned to be distributed, the Programme Unit prepares a Food Release Note (FRN), which contains details of the quantity of food to be distributed, cargo is allocated amongst various short-listed transporters. On receipt of the FRN, the Logistics Unit issues to the transporter a Land Transport Instruction (LTI), that contains details like quantity of food, source of loading, destination for unloading, name of consignee. Seven sets of waybills are also issued to the transporter. The CP on receipt of food from the transporter, signs the waybill and indicates the quantity of food received.

**Food Distribution:** Food is distributed by the CP to the beneficiaries. Distribution of food is selectively monitored by the Food Aid Monitors (FAMs) of WFP according to the monitoring plan. On completion of food distribution, the CP submits a CP report of the quantity of food distributed and the balance quantity of food available with them.

**Monitoring by FAMs:** Monitoring of food distribution by the FAMs could be normal monitoring (carried at the site of food distribution) or alternate monitoring (carried out through phone calls to beneficiary representatives, community leaders etc). Post Distribution Monitoring (PDM) is carried out a few days/weeks from the date of food distribution through interview with selected beneficiaries. FAMs submit reports of normal/alternate/post-distribution monitoring.

**Reconciliation:** Two main types of reconciliation are carried out – (i) the monthly reconciliation between the allocation plan, distribution plan and the food delivered to the CPs for distribution and (ii) reconciliation between the food dispatched and the food actually distributed by the CP as per the CP report.

**Annex 2*****Glossary of Terms***

AC	Audit Committee
AP	Allocation Plan
AS	Al Shabaab
CD	country director
CO	Country Office
COMPAS	Commodity Movement Processing and Analysis System
CP	Co-operating Partner
CRR	Corporate Level Strategic and Operational Risk Register
DP	Distribution Plan
EB	Executive Board
ED	Executive Director
EMOP	emergency operation
FAM	food aid monitor
FDP	final delivery point
FLA	field-level agreement
FRN	Food Release Note
FSNAU	Food Security and Nutrition Analysis Unit
GOS	Government of Somalia
HOL	Head of Logistics
HQ	WFP Headquarters, Rome
HR	Human Resources
IDP	internally displaced person
IG	Inspector General
IU	Implementing Unit
LTI	land transport instruction
LU	Logistics Unit
M&E	monitoring and evaluation

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MGS	United Nations Monitoring Group on Somalia
OS	Oversight Office
PCSC	Purchase and Contracts Sub Committee
PRRO	protracted relief and recovery operation
RM	Resource Management and Accountability Department
SMCA	Strengthening Management Control and Accountability
SOP	Standard Operating Procedure
SPR	Standardized Project Report
SRR	Somalia Risk Register
ST	Swift Traders
UNHCR	Office of the United Nations High Commissioner for Refugees
VAM	vulnerability analysis and mapping
WFP	World Food Programme
WINGS II	WFP Information Network and Global System II



Annex 3

Survey Map of El Maan- Alyale village road rehabilitation project

