

Internal Audit of WFP Operations in Uganda

Office of the Inspector General
Internal Audit Report AR/15/10



World Food Programme

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Internal Audit of WFP Operations in Uganda

I. Executive Summary

Introduction






1. As part of its annual work plan for 2015, the Office of Internal Audit conducted an audit of WFP operations in Uganda, focusing on the period 1 April 2014 to 31 March 2015. WFP's direct expenses in Uganda in 2014 totalled USD 71.4 million, representing 1.5 percent of WFP's total direct expenses for the year. The audit team conducted the in-country fieldwork, which included on-site visits to various locations in Uganda and a review of related corporate processes that impact across WFP, from 25 May to 5 June 2015.

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

Audit Conclusions

3. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**. Conclusions are summarised in Table 1 by internal control component:

Table 1: Summary of conclusions by Internal Control Component

| Internal Control Component | Conclusion | |
|----------------------------------|------------|---|
| 1. Internal environment | Medium |  |
| 2. Risk management | Low |  |
| 3. Control activities | Medium |  |
| 4. Information and communication | Low |  |
| 5. Monitoring | Medium |  |

Key Results of the Audit

Positive practices and initiatives

4. The audit noted some positive practices and initiatives. These included: active participation in the establishment and implementation of joint workplans with other UN agencies in areas visited during the audit; evidence of ongoing identification and ranking of items for inclusion in the risk register; active use of the FleetWave system to generate monitoring reports and manage utilisation of the transport fleet; pro-active monitoring of grant end-dates, in order to control the risk of under-utilisation of funding; effective management in dealing with constrained warehousing capacity in the West Nile region; and clear linkages between programme implementation plans and underlying assessments.



Audit observations

5. The audit report contains one high-risk and 10 medium-risk observations. The high-risk observation is about security. It has been redacted in accordance with the Policy for Disclosure of Oversight Reports (WFP/EB.2/2012/4-A/1) due to the sensitivity of the information.

Actions agreed

6. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations and work is in progress to implement the 11 agreed actions.

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

David Johnson
Inspector General

II. Context and Scope

Uganda

8. Uganda has had a stable national government since 1986. The 21-year conflict involving the Lord's Resistance Army, which started in the late 1980s, left the Acholi sub-region, in particular, scarred and damaged; indeed, this part of the country is still recovering from the effects of armed conflict and displacement. Approximately 44 percent of people in the Northern region, to which Acholi belongs, live below the poverty line. The Northern region also includes Karamoja, Uganda's poorest sub-region, which is known for its chronic food insecurity, poor access to basic social services such as education and health, environmental degradation, erratic rainfall and recurrent droughts. A combination of these factors continues to undermine the capacity of households to meet their basic nutritional needs.

The geo-political location of Uganda makes the country vulnerable to conflicts in the Great Lakes region. At present, Uganda has very significant number of refugees; in February 2015, there were more than over 430,000 refugees from South Sudan, the Democratic Republic of the Congo, and other countries in the region. Almost 70 percent of such refugees are supported by WFP.

Uganda has a population of 34.8 million and was ranked 164 out of 187 countries on the 2014 UNDP Human Development Index, and 52 out of 76 countries on the 2014 Global Hunger Index.

WFP Operations in Uganda

9. WFP has been present in Uganda since 1963. In addition to the main country office in Kampala, WFP has eight offices in other locations in the country and, as of March 2015, employed 242 staff (including 12 international staff members). Interventions in the country focus on three priority areas: emergency humanitarian action; food and nutrition security; and agriculture and market support.

10. The main activities in the period under review included:

- *Country Programme (DEV 108070): Supporting Government-Led Initiatives to Address Hunger in Uganda.* This project, which commenced in November 2009, targets two categories of beneficiaries. The first comprises communities which have emerged from crises but are struggling to meet their food and nutrition needs and remain vulnerable to shocks; activities under this category include resilience-building, disaster risk-reduction and mitigation, and initiatives aimed at addressing chronic hunger including school meals and mother-and-child health and nutrition. The second category consists of individuals who can meet their basic food and nutrition needs but require increased incomes to become fully food secure; activities under this component include construction and rehabilitation of market infrastructure, support to the warehouse receipts system, training in post-harvest management and the purchase of small-holder farmers' produce.
- *Protracted Relief and Recovery Operation: Stabilising Food Consumption and Reducing Acute Malnutrition among Refugees and Extremely Vulnerable Households (PRRO 200429).* The overall aims of this project, which commenced in January 2013, are to support the government in addressing protracted and acute food and nutrition insecurity among refugees and extremely vulnerable households in Karamoja. Key activities include general food distribution, targeted supplementary feeding for moderately malnourished children below 5 years of age and pregnant and lactating women and blanket supplementary feeding for children aged 6-23 months.



- *Special Operation: Logistics Capacity Development – Post-Harvest Food Loss Reduction (SO 200671)*. Through this project, WFP trains participating farmers in improved farm management practices and distributed modern storage technologies to reduce post-harvest food losses.

11. WFP's direct expenses in Uganda in 2014 totalled USD 71.4 million, representing 1.5 percent of WFP's total direct expenses for the year.

Objective and scope of the audit

12. The objective of the audit was to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of WFP's operations in Uganda. Such audits are part of the process of providing an annual and overall assurance to the Executive Director on governance, risk management and internal control processes.

13. The audit was carried out in conformance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. It was completed according to an approved planning memorandum and took into consideration a risk-assessment exercise carried out prior to the audit.

14. The scope of the audit covered WFP's operations in Uganda for the period from 1 April 2014 to 31 March 2015. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work, which took place between 25 May and 5 June 2015, included visits to various locations in Uganda including Kampala, Moroto, Kotido, Gulu and Adjumani.

III. Results of the audit

15. In performing the audit, the following positive practices and initiatives were noted:

Table 2: Positive practices and initiatives

1. Internal environment

- Active participation in the establishment and implementation of joint workplans with other UN agencies in areas visited during the audit.
 - Establishment of effective working relationships with Government at both central and regional levels.
-

2. Risk management

- Evidence of ongoing identification and ranking of items for inclusion in the risk register.
-

3. Control activities

- Active use of the FleetWave system to generate monitoring reports and manage utilisation of the fleet.
- Pro-active monitoring of grant end-dates, in order to control the risk of under-utilisation of funding.
- Effective management in dealing with constrained warehousing capacity in the West Nile region.
- Clear linkages between programme implementation plans and underlying assessments.

16. Having evaluated and tested the controls in place, the Office of Internal Audit has come to the following conclusions on the residual risk related to the processes:

Table 3: Conclusions on risk, by internal control component and business process

| Internal Control Component/Business Process | Risk |
|--|--------|
| 1. Internal environment | |
| Strategic planning and performance | Low |
| Organisational structure and delegated authority | Low |
| Internal oversight | Medium |
| Ethics | Low |
| 2. Risk management | |
| Enterprise risk management | Low |
| Emergency preparedness and response | Low |
| 3. Control activities | |
| Finance and accounting | Medium |
| Programme management | Medium |
| Transport and logistics | Medium |
| Procurement | Medium |
| Human resources | Low |
| Travel and administration | Low |
| Partnership and coordination | Medium |
| Security | High |
| Gender | Low |
| Property and equipment | Low |
| Information and communications technology | Medium |
| Resource mobilisation | Medium |
| 4. Information and communication | |
| External and internal communication | Low |
| 5. Monitoring | |
| Programme monitoring and evaluation | Medium |

17. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**¹.

18. The audit report makes one high-risk observation and ten medium-risk observations. Tables 4 and 5 below present the high and medium-risk observations, respectively. The high risk observation concerns security and has been redacted in accordance with the Policy for Disclosure of Oversight Reports (WFP/EB.2/2012/4-A/1) due to the sensitivity of the information.

Action agreed

19. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations and work is in progress to implement the agreed actions².

¹ See Annex A for definitions of audit terms.

² Implementation will be verified through the Office of Internal Audit's standard system for monitoring agreed actions.

Table 4: High-risk observations

| Observation | Agreed action | Risk categories | Underlying cause category | Owner | Due date |
|-----------------------------|---------------|--|---------------------------|-----------------------------|------------------|
| Control Activities | | | | | |
| 1 Security: Redacted | Redacted | Compliance Operational Institutional | Compliance | Uganda Country Office | 31 December 2015 |

Table 5: Medium-risk observations

| Observation | Agreed action | Risk categories | Underlying cause category | Owner | Due date |
|---|---|--|---------------------------|-----------------------|-------------------|
| Internal Environment | | | | | |
| <p>2 Internal oversight: Oversight of compliance and measures to protect against fraud and corruption – Whilst certain processes are in place to monitor and gain assurance regarding compliance with policies and procedures, (both internally and with respect to cooperating partners and other external parties), the audit noted that such activity is not systematically planned and followed up. The audit also noted potential to streamline and strengthen monitoring activities in respect of cooperating partners’ (CP) performance.</p> <p>Pro-active measures could help raise awareness of and protect against risks of fraud and corruption.</p> | <p>The CO will:</p> <p>(a) In conjunction with the Regional Bureau, review business processes and determine a compliance monitoring plan covering the CO, sub-offices, activities performed by CPs and, where relevant, other external parties. This will include streamlining existing tools used to assess CP performance; and</p> <p>(b) Introduce and strengthen procedures and processes, including staff training and the use of publicity materials, to raise awareness of and protect against fraud and corruption.</p> | <p>Operational</p> <p>Processes & Systems</p> <p>Institutional</p> | Guidance | Uganda Country Office | 31 October 2015 |
| Control Activities | | | | | |
| <p>3 Finance and accounting: Clarification and repayment of advance funding amounts – The CO had substantial outstanding loan balances at the time of the audit relating to both closed and current projects, resulting from funding advances provided from the Immediate Response Account.</p> <p>While the CO had been informed by Headquarters that it was likely that repayment of loan balances in respect of closed projects would not be required, such balances had not formally been converted to grants, and/or written-off, in accordance with the relevant policy. There is an expectation that loan balances relating to current projects will require to be repaid; however, the source of funding for repayment has not been identified and there are no specific fundraising plans in place to obtain funds for repayment.</p> | <p>RMBB will:</p> <p>(a) In accordance with the relevant policy, obtain and document formal approval to convert loan balances relating to closed projects into grants; and advise the Uganda CO of this conversion and that repayment is not required.</p> <p>The CO will:</p> <p>(b) Liaise with RMBB to clarify repayment plans and expectations in respect of current loan balances; and incorporate funding needs for loan repayments into resourcing requirement forecasts and analyse funds available to apply to repayment of loans.</p> | <p>Compliance</p> <p>Accountability & funding</p> <p>Institutional</p> | Compliance | RMBB | 30 September 2015 |
| | | | | Uganda Country Office | 31 December 2015 |

| Observation | Agreed action | Risk categories | Underlying cause category | Owner | Due date |
|---|---|--------------------------|---------------------------|-----------------------|-------------------|
| <p>4 Finance and accounting: Budget and liability monitoring issues – The audit noted that regular analysis of budgeted to actual expenditure was carried out at a top-line level only and did not include consideration of expenditure or activity line item components.</p> <p>Instances were noted where purchase orders (POs) were raised for a shorter duration than the related field-level agreements (FLAs) with cooperating partners when funding for the entire FLA was not available. In such cases, there is a consequent risk of liabilities being incurred in excess of available funding if activities continue under FLAs beyond PO end dates. Whilst this issue was monitored by individual programme units, no centralised review was carried out, resulting in potentially limited visibility over all liabilities.</p> | <p>The CO will:</p> <p>(a) Incorporate variance analysis at the budget line or activity component level into monthly reporting; and</p> <p>(b) Introduce procedures to centralise and coordinate tracking of liabilities under FLAs.</p> | Operational | Guidance | Uganda Country Office | 30 September 2015 |
| | | Accountability & funding | | | Institutional |
| <p>5 Programme Management: Partnership management – The audit noted several issues relating to the management of cooperating partners (CPs):</p> <p>(a) Instances were identified where CPs had sub-contracted implementation of activities to third-parties without the CO having assessed, directly or indirectly, the capacity of the third-party and associated risks;</p> <p>(b) In certain cases examined, there were delays in the signing of field-level agreements with CPs prior to commencement of activities; and</p> <p>(c) Variations were identified in budget formats included within CP agreements with similar activities, resulting in difficulties in comparing project budgets. In addition, instances were noted where verification of services provided, or work performed, had not been fully completed prior to payment being made.</p> | <p>The CO will:</p> <p>(a) Assess and review the sub-contracting of activities by cooperating partners and determine if mitigating actions are required;</p> <p>(b) Put procedures in place to ensure that activities may only commence once a cooperating partner has signed a field-level agreement; and</p> <p>(c) As part of a review of the field-level agreement management process, introduce standardised budgeting and performance verification processes, including a requirement for CPs to provide verification of completion of services or projects prior to payment being processed.</p> | Operational | Guidance | Uganda Country Office | 31 October 2015 |
| | | Partnerships | | | |
| | | Programmatic | | | |

| Observation | Agreed action | Risk categories | Underlying cause category | Owner | Due date |
|--|--|-----------------|---------------------------|-----------------------|-------------------|
| <p>6 Programme Management: Issues regarding implementation of the country development programme – The audit noted instances where proposals for asset creation projects did not consider or demonstrate linkages to previously completed projects and where previously created assets were not maintained or had deteriorated. Comprehensive data on completed assets was not maintained.</p> <p>The need to establish monitoring and evaluation criteria, regarding the impact and effectiveness of training provided by partners as part of Agriculture and Market Support (AMS) activities, was noted in project records in early 2015; implementation of actions following such assessments had not, however, yet occurred.</p> <p>Weaknesses were noted in the financial aspects of management of equipment leased to farmer organisations, including reconciliation and collection of lease charges receivable.</p> | <p>The CO will:</p> <p>(a) Introduce measures to improve linkages of new asset creation projects to old projects and improve training of communities to maintain assets created;</p> <p>(b) Implement processes to assess the impact and effectiveness of training provided as part of AMS activities; and</p> <p>(c) Monitor and enforce payment of lease charges and introduce appropriate controls to reconcile amounts in the financial system with manual records and include outstanding amounts in monthly financial reports.</p> | Operational | Guidelines | Uganda Country Office | 31 January 2016 |
| | | Programmes | | | 31 January 2016 |
| | | Programmatic | | | 30 September 2015 |

| Observation | Agreed action | Risk categories | Underlying cause category | Owner | Due date |
|---|---|---|---------------------------|-----------------------|------------------|
| <p>7 Programme Management: Beneficiary verification processes – The audit noted that beneficiary data used to calculate distribution figures and plans were, in some cases, potentially out-of-date:</p> <p>(a) In the case of Extremely Vulnerable Household (EVH) beneficiaries, the data being used to calculate distribution figures dated from 2010; some ad-hoc updates to the data had been carried out but a complete re-verification had not been performed; and</p> <p>(b) In the case of refugee beneficiaries, the audit noted that a complete re-verification exercise had not been carried out by the primary partners with whom the CO was working; these partners were responsible for registration and re-verification, including for beneficiaries who had been registered for long periods. It was noted that the CO and partners were in the process of negotiating options to obtain biometric data and/or re-verify beneficiaries, in order to improve the accuracy of distribution figures.</p> | <p>The CO will:</p> <p>(a) Within the context of proposed changes to existing projects, review existing capacity and determine, in conjunction with partners, options for re-verifying and improving targeting mechanisms in relation to EVH beneficiaries; and</p> <p>(b) Continue to pursue negotiations with partners regarding the use of biometrics or re-verification measures, in relation to assistance provided to refugees.</p> | <p>Operational</p> <p>Processes & Systems</p> <p>Programmatic</p> | Resources | Uganda Country Office | 31 December 2015 |

| Observation | Agreed action | Risk categories | Underlying cause category | Owner | Due date |
|--|---|---|---------------------------|-----------------------|------------------|
| <p>8 Procurement: Procurement issues – A number of weaknesses and gaps were observed in procurement processes including: data and market intelligence was not consistently gathered, documented and used to formulate procurement strategy; procurement plans were compiled using estimates obtained from CO units without reviewing and challenging data supplied; regular analysis of actual to planned procurement was not carried out; up-to-date suppliers rosters were not maintained for food and non-food items; instances were noted where complete assessments of suppliers were not carried out prior to inclusion in rosters; and inconsistencies were observed in processes for supplier performance assessment.</p> <p>The audit noted that the CO had already identified certain of the above weaknesses and recently appointed an international procurement officer to strengthen procurement capacity.</p> | <p>The CO will:</p> <p>(a) Develop, implement and maintain procurement plans, incorporating relevant market intelligence and assessments, and conduct regular assessments and analysis of actual to planned procurement; and</p> <p>(b) Strengthen procurement processes through the introduction of standard operating procedures, addressing all aspects of supplier and roster selection, management and review.</p> | <p>Compliance</p> <p>Processes & Systems</p> <p>Institutional</p> | Compliance | Uganda Country Office | 31 December 2015 |
| <p>9 Resource mobilisation: Resource mobilisation and staffing resources – The CO's resource mobilisation strategy did not follow the recommended corporate template for a Country Resource Strategy and Plan; in particular, the strategy document, whilst containing relevant donor background information, did not contain detailed actions and targets which could be measured and monitored on a regular basis.</p> <p>The audit noted that the current staff resources allocated to resource mobilisation may require strengthening to enable implementation of a comprehensive resource mobilisation strategy.</p> | <p>The CO will:</p> <p>(a) Develop and implement a resource mobilisation strategy containing specific actions and measurable targets; and</p> <p>(b) Carry out an assessment of the resources required for the donor relations function and, if considered necessary, direct additional resources to this area.</p> | <p>Strategic</p> <p>Accountability & funding</p> <p>Institutional</p> | Guidance | Uganda Country Office | 31 January 2016 |

| Observation | Agreed action | Risk categories | Underlying cause category | Owner | Due date |
|--|--|--|---------------------------|-----------------------|-----------------|
| Monitoring | | | | | |
| <p>10 Programme monitoring and evaluation: Monitoring system, usage and reconciliation procedures – The audit noted instances of delays in the entering of data by CPs into the CO’s monitoring and evaluation database; this was in part attributed to connectivity issues. It was also noted that data entry controls and validation checks were not embedded in the monitoring and evaluation system; that data was not recorded on planned versus actual monitoring activities; and that data for certain recently introduced cash transfer activities was not yet recorded in the system.</p> <p>The delayed submission of CP distribution reports, and lack of clear timelines for reconciliation of distribution to dispatch data, contributed to the existence of timing differences between recorded quantities of commodities dispatched to and distributed by CPs; it was noted that a complete reconciliation between these sources of data was carried out only at year-end.</p> | <p>Whilst waiting for the roll-out of the corporate monitoring and evaluation system, the CO will:</p> <p>(a) Enforce full utilisation of the current system and ensure that data maintained are up-to-date, reliable and encompass all activities implemented;</p> <p>(b) Reinforce, to cooperating partners, the need for timely reporting and enforce agreed deadlines; and</p> <p>(c) Increase the frequency of reconciliation between commodity dispatch and distribution data.</p> | <p>Reporting</p> <p>Processes & Systems</p> <p>Institutional</p> | Guidance | Uganda Country Office | 31 October 2015 |
| <p>11 Programme monitoring and evaluation: Activities of WFP monitors and third-party monitors – The audit observed that third-party monitors planned their own monitoring activities, rather than implementing plans prepared by the CO; as such, there was limited assurance as to whether site coverage was adequate and duplications were avoided.</p> <p>The audit also noted that a standard number of CO field monitors were assigned to monitor areas, without alignment to the scale of activities in each area, and that field monitors were assigned to specific activities on an ongoing basis.</p> | <p>The CO will:</p> <p>(a) Review the effectiveness of the use of third-party monitors and introduce procedures to ensure CO involvement in planning their monitoring activities; and</p> <p>(b) Develop standard procedures to select the maximum geographic areas to be monitored and ensure rotation of areas covered by field monitors.</p> | <p>Reporting</p> <p>Processes & Systems</p> <p>Institutional</p> | Guidance | Uganda Country Office | 31 October 2015 |

Annex A – Definition of Audit Terms

1. WFP's Internal Control Framework (ICF)

A 1. WFP's Internal Control Framework follows principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Integrated Internal Control Framework, adapted to meet WFP's operational environment and structure. The Framework was formally defined in 2011.

A 2. WFP has defined internal control as a process designed to provide reasonable assurance regarding the achievement of objectives relating to (a) effectiveness and efficiency of operations; (b) reliability of reporting; and (c) compliance with WFP rules and regulations. WFP recognises five interrelated components (ICF components) of internal control, which need to be in place and integrated for it to be effective across the above three areas of internal control objectives. The five ICF components are (i) Internal Environment, (ii) Risk Management, (iii) Control Activities, (iv) Information and Communication, and (v) Monitoring.

2. Risk categories

A 3. The Office of Internal Audit evaluates WFP's internal controls, governance and risk management processes, in order to reach an annual and overall assurance on these processes in the following categories:

Table A.1: Categories of risk – based on COSO frameworks and the Standards of the Institute of Internal Auditors

| | | |
|---|--------------|---|
| 1 | Strategic: | Achievement of the organisation's strategic objectives. |
| 2 | Operational: | Effectiveness and efficiency of operations and programmes including safeguarding of assets. |
| 3 | Compliance: | Compliance with laws, regulations, policies, procedures and contracts. |
| 4 | Reporting: | Reliability and integrity of financial and operational information. |

A 4. In order to facilitate linkages with WFP's performance and risk management frameworks, the Office of Internal Audit maps assurance to the following two frameworks:

Table A.2.1: Categories of risk – WFP's Management Results Dimensions

| | | |
|---|---------------------------|--|
| 1 | People: | Effective staff learning and skill development – Engaged workforce supported by capable leaders promoting a culture of commitment, communication & accountability – Appropriately planned workforce – Effective talent acquisition and management. |
| 2 | Partnerships: | Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated. |
| 3 | Processes & Systems: | High quality programme design and timely approval – Cost efficient supply chain enabling timely delivery of food assistance – Streamlined and effective business processes and systems – Conducive platforms for learning, sharing and innovation. |
| 4 | Programmes: | Appropriate and evidence based programme responses – Alignment with Government priorities and strengthened national capacities – Lessons learned and innovations mainstreamed – Effective communication of programme results and advocacy. |
| 5 | Accountability & Funding: | Predictable, timely and flexible resources obtained – Strategic transparent and efficient allocation of resources – Accountability frameworks utilised – Effective management of resources demonstrated. |

Table A.2.2: Categories of risk – WFP’s Risk Management Framework

| | | |
|---|----------------|---|
| 1 | Contextual: | External to WFP: political, economic, environmental, state failure, conflict and humanitarian crisis. |
| 2 | Programmatic: | Failure to meet programme objectives and/or potential harm caused to others through interventions. |
| 3 | Institutional: | Internal to WFP: fiduciary failure, reputational loss and financial loss through corruption. |

3. Causes or sources of audit observations

A 5. Audit observations are broken down into categories based on causes or sources:

Table A.3: Categories of causes or sources

| | | |
|---|---------------|---|
| 1 | Compliance | Requirement to comply with prescribed WFP regulations, rules and procedures. |
| 2 | Guidelines | Need for improvement in written policies, procedures or tools to guide staff in the performance of their functions. |
| 3 | Guidance | Need for better supervision and management oversight. |
| 4 | Resources | Need for more resources (funds, skills, staff, etc.) to carry out an activity or function. |
| 5 | Human error | Mistakes committed by staff entrusted to perform assigned functions. |
| 6 | Best practice | Opportunity to improve in order to reach recognised best practice. |

4. Risk categorisation of audit observations

A 6. Audit observations are categorised by impact or importance (high, medium or low risk) as shown in Table A.4 below. Typically, audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.³

Table A.4: Categorisation of observations by impact or importance

| | |
|-------------|---|
| High risk | Issues or areas arising relating to important matters that are material to the system of internal control. The matters observed might be the cause of non-achievement of a corporate objective, or result in exposure to unmitigated risk that could highly impact corporate objectives. |
| Medium risk | Issues or areas arising related to issues that significantly affect controls but may not require immediate action. The matters observed may cause the non-achievement of a business objective, or result in exposure to unmitigated risk that could have an impact on the objectives of the business unit. |
| Low risk | Issues or areas arising that would, if corrected, improve internal controls in general. The observations identified are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives. |

A 7. Low risk observations, if any, are communicated by the audit team directly to management, and are not included in this report.

5. Monitoring the implementation of agreed actions

A 8. The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions will be verified through the Office of Internal Audit’s system for the monitoring of the implementation of agreed actions. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe so as to manage

³ An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

6. Rating system

A 9. Internal control components and processes are rated according to the degree of related risk. These ratings are part of the system of evaluating the adequacy of WFP's risk management, control and governance processes. A rating of satisfactory, partially satisfactory or unsatisfactory is reported in each audit. These categories are defined as follows:

Table A.5: Rating system

| Engagement rating | Definition | Assurance level |
|------------------------|---|--|
| Satisfactory | Internal controls, governance and risk management practices are adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. | Reasonable assurance can be provided. |
| Partially Satisfactory | Internal controls, governance and risk management practices are generally established and functioning, but need improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. | Reasonable assurance is at risk. |
| Unsatisfactory | Internal controls, governance and risk management practices are either not established or not functioning well. The issues identified were such that the achievement of the overall objectives of the audited entity could be seriously compromised. | Reasonable assurance cannot be provided. |

Annex B – Acronyms

| | |
|-------|--|
| AMS | Agriculture and Market Support |
| CO | Country Office |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| CD | Country Director |
| CP | Cooperating Partner |
| DCD | Deputy Country Director |
| EVH | Extremely Vulnerable Households |
| FLA | Field Level Agreement |
| M&E | Monitoring and Evaluation |
| MOSS | Minimum Operating Security Standards |
| P4P | Purchase for Progress |
| PO | Purchase Order |
| UN | United Nations |
| UNDSS | United Nations Department of Safety and Security |
| WFP | World Food Programme |