

# Internal Audit of WFP Operations in Libya

Office of the Inspector General  
Internal Audit Report AR/13/04



**World Food Programme**

## Contents

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		Page
<b>I.</b>	Executive summary	3
<b>II.</b>	Context and scope	5
<b>III.</b>	Results of the audit	7
<b>IV.</b>	Detailed assessment	15
	Annex A – Definition of audit terms	18
	Annex B – Acronyms	22

# Internal Audit of WFP Operations in Libya

## I. Executive Summary

### Introduction

1. As part of its annual work plan for 2012, the Office of Internal Audit conducted an audit of WFP Operations in Libya. The World Food Programme's (WFP) Direct Expenses in Libya in 2011 totalled US\$33 million<sup>1</sup>, representing 1 percent of WFP's total Direct Expenses for the year. The audit covered the activities from 1 January 2011 to 30 June 2012 and included field visits to various locations in Libya, and a review of related corporate processes that impact across WFP.

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

### Audit Conclusions

3. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**<sup>2</sup>. Conclusions are summarized in Table 1 by internal control components:

**Table 1: Summary of conclusions by Internal Control Components**

Internal Control Component	Conclusion
1. Internal environment	Medium 
2. Risk assessment	Medium 
3. Control activities	High 
4. Information and communication	High 
5. Monitoring	Medium 

## Key Results of the Audit

### Positive practices and initiatives

4. A number of positive practices and initiatives were noted including scenario-based analyses of WFP's involvement, clear risk mapping, speedy response and reasonable monitoring, despite the challenging circumstances, which serve to strengthen WFP's response in emergencies.

<sup>1</sup> WFP/EB.A/2013/4 – Annual Performance Report for 2012 – Annex IX-B.

<sup>2</sup> See Annex A for definitions of audit terms.

### Audit recommendations

5. The audit report contains two high-risk and 19 medium-risk recommendations. The high-risk observations arising from the audit were:

6. **Managing UN staff ceilings in an emergency:** The United Nations Department of Safety and Security (UNDSS) imposed staff ceilings for the presence of international staff in Libya, and allocated numbers across the different agencies. Such staff ceilings may constrain WFP's capacity to follow project implementation on the ground. WFP proactively took the initiative to find and rent a compound in Benghazi, thus allowing an increase in the staff ceiling. However, the responsibilities for taking action that would enable the staff ceiling to be increased still need to be defined. We recommended that the Field Security Division should, in consultation with the other United Nations agencies, encourage UNDSS to develop criteria for the responsibilities regarding actions to increase staff ceilings.

7. **Quantifying the reach of WFP's operations:** WFP has historically focused on the high level indicator of beneficiary numbers, defined as a targeted person who is provided with WFP food. Such an indicator, although useful, may not provide information on whether commitments, in terms of food basket and number of days of food support, have been achieved. We recommended that the Performance and Accountability Management Division should assess the possibility of including additional meaningful performance indicators on beneficiaries reached. Such indicators could capture information on variances including food basket and delivery period.

### Management response

8. Management accepted all the recommendations and has reported that they are in the process of implementing them.

9. 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

### Libya

10. The uprising of February 2011 in Libya escalated into a destructive civil conflict. By the end of February 2011, international sanctions imposed on Libya had halted oil exports and paralysed the economy, which was highly dependent on oil revenues. Fighting ended in late October and liberation was officially declared on 23 October 2011. The United Nations Security Council ended authorization of foreign military intervention in Libya as of 31 October 2011.

### WFP Operations in Libya

11. Before March 2011, WFP had two offices in Libya supporting the logistics corridor from the Libyan port of Benghazi. WFP had no operations in the country. As the internal conflict broke out in February 2011, WFP initially launched two Immediate Response Emergency Operations (one for Libya and one for Tunisia) and later:

- A regional Emergency Operation (200257) for an initial period of three months (March to May 2011) and a funding request of US\$43 million. The Emergency Operation was revised eight times and was expected to end in November 2012, with a final overall budget for the regional response of US\$122 million.
- A Special Operation (200261) to support United Nations cluster activities in Telecommunications and Logistics.
- A Special Operation (200276) to support passenger transport through United Nations Humanitarian Air Service flights.

12. Activities have scaled down since the end of 2011 and, at the time of the audit, formal closure of the Country Office was foreseen for the end of 2012. It was not expected that the logistics corridor would be re-opened. At the time of the audit, the first freely elected government had not yet been sworn in, and the Country Office was negotiating the handover of activities to the Government and to the Libya Red Crescent.

13. WFP's Direct Expenses in Libya in 2011 totalled US\$33 million<sup>3</sup>, representing 1 percent of WFP's total Direct Expenses for the year.

### Objective and scope of the audit

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

15. The audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. It was completed according to the approved planning memorandum and took into consideration the risk assessment exercise carried out prior to the audit.

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<sup>3</sup> WFP/EB.A/2013/4 – Annual Performance Report for 2012 – Annex IX-B.

16. The scope of the audit covered WFP's operations in Libya in the context of the regional response, for the period from 1 January 2011 to 30 August 2012. Where necessary, transactions and events pertaining to other periods were reviewed. The audit, which took place from 20 to 30 August 2012, included visits to various locations in Libya.

### III. Results of the audit

17. In performing our audit, we noted the following positive practices and initiatives:

**Table 2: Positive practices and initiatives**

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#### **1. Internal environment**

- Scenario based analysis of the different levels of WFP involvement, depending on the length of the war and the number of people affected.
- 

#### **2. Risk assessment**

- Clear quarterly mapping of risks, in a management-friendly manner.
- 

#### **3. Control activities**

- Emergency-related project documents quickly prepared and approved.
  - Fast response on the ground, food reached the first Benghazi beneficiaries in the first week of March 2011.
  - Pro-active in taking responsibility for the United Nations (UN) compound in Benghazi, which enabled UNDSS to increase the number of UN staff allowed in the country.
  - Internal funds available on a timely basis through the Immediate Response Account and allocation of multilateral resources.
- 

#### **4. Information and communication**

- Good feedback from the Libyan Red Crescent, the main implementing partner.
- 

#### **5. Monitoring**

- Reasonable monitoring of WFP activities, despite insecurity and access problems (through third-party monitoring).
-

18. 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 – both in the Country Office and at the corporate level (where applicable) – as follows:

**Table 3: Conclusions – categorization of risk by internal control component and business process**

Internal Control Component/ Business Process	Risk (Country Office)	Risk (Corporate)
<b>1. Internal environment</b>		
Corporate organizational and reporting structure	Low	Low
Delegated authority	Low	Medium
Assurance statement on internal controls	Low	--
<b>2. Risk assessment</b>		
Enterprise risk management	Low	Medium
<b>3. Control activities</b>		
Finance and accounting	Medium	Medium
Emergency preparedness and response	Low	--
Programme management	Low	Medium
Transport and logistics	Low	--
Commodity management	Low	--
Procurement	Low	--
Human resources	Low	--
Mobilize resources	Low	Medium
Property and equipment	Low	Medium
Security	Medium	High
IS/IT acquire and implement	Low	Medium
<b>4. Information and communication</b>		
External relations and partnerships	Low	High
Internal communications and feedback	Low	--
<b>5. Monitoring</b>		
Programme monitoring and evaluation	Low	Medium

19. Based on the results of the audit, the Office of Internal audit has come to an overall conclusion of **partially satisfactory**<sup>4</sup>.

20. A total of two high-risk recommendations were made, which are detailed in Section IV of this report, and 19 medium-risk recommendations. Tables 4 and 5 present the high and medium-risk recommendations respectively.

## Management response

21. Management has agreed with all recommendations and has reported that implementation is in progress.

<sup>4</sup> See Annex A for definitions of audit terms.

Table 4: Summary of high-risk recommendations (see Section IV for detailed assessment)

Observation	Recommendation	Risk categories <sup>5</sup>	Underlying cause category	Owner	Due date
<b>Control Activities</b>					
1 <b>Security:</b> Managing UN staff ceilings in an emergency – responsibilities for taking actions that would enable the staff ceiling to increase (such as purchase of more armoured vehicles, set-up of secure compounds) had not been defined.	In consultation with the other UN agencies, encourage UNDSS to develop criteria for responsibilities regarding actions to manage staff ceilings.	Operational Stewardship Contextual	Guidance	Field Security Division	31 December 2013
<b>Information and Communication</b>					
2 <b>External relations and partnerships:</b> Quantifying the reach of WFP's operations – WFP has historically focused on high level indicators, which may not provide useful information on whether food basket/number of days of food support have been achieved.	Assess the possibility of including additional meaningful performance indicators on beneficiaries reached. Such indicators could capture information on variances including food basket and delivery period.	Reporting Operational efficiency Programmatic	Guidelines	Performance and Accountability Management Division	31 December 2013

<sup>5</sup> See Annex A for definition of audit terms.

Table 5: Medium-risk recommendations

Observation	Recommendation	Risk categories <sup>6</sup>	Underlying cause category	Owner	Due date
<b>Internal Environment</b>					
3	<b>Delegated authority:</b> WFP's intervention in a civil war context – perceived lack of clarity regarding the link between UN resolutions and principles in WFP's existing Rules and Regulations.	Integrate lessons learned from the legal review of the WFP Libya emergency response in WFP's Emergency Protocol and Emergency Operations approval process.	Compliance Stewardship Contextual	Guidelines Operations Management Department	30 June 2013
<b>Risk Assessment</b>					
4	<b>Enterprise risk management:</b> Capturing information on lessons learned from risk management in an emergency – current emergency lessons-learned guidelines are focussed on Corporate Emergencies.	Review the process of capturing and communicating information on lessons that should be learned from each emergency and cluster activation.	Strategic Learning and innovation Programmatic	Guidelines Emergency Preparedness Division	31 March 2013
5	<b>Enterprise risk management:</b> Availability of emergency-related risk management information – risk management and monitoring tends to be focused on information at the organizational entity level, rather than on the class of activities.	Make all relevant emergency-related risk management information available to the Emergency Coordinator at the onset of an emergency, in liaison with the Performance and Accountability Management Division.	Strategic Learning and innovation Programmatic	Guidelines Operations Management Department	31 January 2013

<sup>6</sup> See Annex A for definition of audit terms.

Observation	Recommendation	Risk categories <sup>6</sup>	Underlying cause category	Owner	Due date	
<b>Control Activities</b>						
6	<b>Finance and accounting:</b> Reconciliations prior to office closure – the need to complete reconciliations in a context of emergency, staff turnover, and missing documents from partners.	Complete the reconciliations as planned, prior to closure of the office.	Compliance Internal business processes Institutional	Compliance	Libya Country Office	31 January 2013
7	<b>Finance and accounting:</b> Invoicing cluster partners – current monthly dashboard reporting is focused on receivables from staff and receivables from implementing partners or suppliers (advances). Corporate procedures for recharging from the newer clusters have not been developed.	Review the invoicing process for all WFP-led clusters, ensure they are consistent, and include receivables from cluster partners in management oversight tools.	Reporting Internal business processes Institutional	Guidelines	Resource Management and Accountability Department	31 December 2013
8	<b>Finance and accounting:</b> Archiving soft copies of invoices and contracts – WFP archives physical paper copies of documents, kept in the location where payments are made. There is no clear guidance or shared best practice regarding the way to store documents on the shared drives.	Review the way in which original invoices and contracts are archived across WFP to improve information sharing and remote oversight, taking into account any limitation on access to corporate networks and Information Communication and Technology (ICT) connectivity likely to happen in emergency situations.	Reporting Internal business processes Institutional	Guidelines	Resource Management and Accountability Department	31 December 2013
9	<b>Finance and accounting:</b> Monitoring of costs charged to a project – current WINGS configuration disconnects authorization from the cost centre, giving rise to the need for improved ex-post monitoring tools.	Strengthen ex-post monitoring tools available to managers for monitoring of costs charged to a project.	Reporting Internal business processes Institutional	Guidelines	Resource Management and Accountability Department	31 December 2013

Observation	Recommendation	Risk categories <sup>6</sup>	Underlying cause category	Owner	Due date
10 <b>Programme management:</b> Implementing cost-effective voucher distribution – WFP does not have formal guidelines on the minimum size for a cost-effective voucher distribution. Needs and actual implementation capabilities were not budgeted accurately.	Set up indicators, criteria and thresholds to trigger decision-making on cash and voucher activities, including overall costs incurred by WFP compared with value of benefits distributed.	Strategic Operational efficiency Programmatic	Guidelines	Operations Services Department	31 July 2013
11 <b>Programme management:</b> Working with new implementing partners in an emergency – partners relied upon in an emergency may not have experience working with WFP and in following best practice logistics and warehouse management standards.	Prepare user-friendly checklists for the use of implementing partners during an emergency, to support them in following WFP's standards.	Operational Stewardship Programmatic	Guidelines	Operations Services Department	31 December 2013
12 <b>Mobilize resources:</b> Communicating significant changes in funding needs –  WFP used historical 'unmet needs' as the basis for funding requests, and guidelines note that retroactive budget revisions are allowed only in a few situations.	Review the process and indicators used to communicate funding needs to donors, in particular when needs change significantly.	Strategic Securing resources Institutional	Guidelines	Partnership and Governance Services Department	31 December 2013
13 <b>Mobilize resources:</b> Enhancing budget revision templates – the existing template used for project budgets and budget revisions could be improved, and human error in archiving and storing documents minimized.	Review the budget revision templates so as to improve and review the procedure for archiving and storing budget revisions and related project documentation in order to enhance accuracy and consistency.	Reporting Operational efficiency Institutional	Guidelines	Operations Services Department	31 December 2013

Observation	Recommendation	Risk categories <sup>6</sup>	Underlying cause category	Owner	Due date
14 <b>Property and equipment:</b> Recording of cluster assets – cluster assets are not recorded in the corporate Asset Management Database and not capitalized in the corporate Enterprise Resource Planning System (ERP).	Provide guidance on accounting for and recording of cluster assets.	Reporting Stewardship Institutional	Guidelines	Management Services Division	30 July 2013
15 <b>Security:</b> Compliance with minimum Operating Security Standards – the high potential security risk was not immediately visible.	Mandatorily comply with the United Nations Department of Safety and Security country specific Minimum Operating Security Standards requirements.	Compliance Stewardship Contextual	Compliance	Libya Country Office	31 January 2013
16 <b>IS/IT Acquire and implement:</b> Conditions for use of the Emergency Telecommunications Cluster infrastructure – the relevant template was not easily available on the cluster intranet site and the cluster team was unaware of this situation.	Ensure that service condition templates are readily available to cluster managers and consistently signed each time each cluster partner or single user is authorized to access cluster services.	Compliance Internal business processes Institutional	Guidelines	Operations Services Department	31 December 2013
17 <b>IS/IT Acquire and implement:</b> Access to cluster information – cluster-related information has not been regarded as sensitive, and access has been inconsistent across the clusters.	Review the cluster data disclosure provisions for consistency, balancing transparency with safety of people and assets.	Compliance Internal business processes Institutional	Best practice	Operations Management Department	30 June 2013
<b>Information and communication</b>					

Observation	Recommendation	Risk categories <sup>6</sup>	Underlying cause category	Owner	Due date
18 <b>External relations and partnerships:</b> Communication with beneficiaries and visibility in an emergency – in the emergency situation there was little WFP presence at the time of receipt and dispatching of goods and at the distribution sites. Monitoring did not always take place on the day of distributions.	Review visibility and communication guidelines and minimum standards in an emergency.	Operational Stewardship Institutional	Guidelines	Operations Services Department	31 December 2013
<b>Monitoring</b>					
19 <b>Programme monitoring and evaluation:</b> Monitoring cluster performance – WFP has not established a systematic methodology for assessing and monitoring cluster performance.	Prepare guidance on key performance indicators for cluster operation.	Reporting Operational efficiency Institutional	Guidelines	Operations Management Department	31 December 2013
20 <b>Programme monitoring and evaluation:</b> Management of third-party monitors – there is no corporate operating guidance on the use of third party monitors.	Establish corporate guidance on the use of third party monitors	Operational Operational efficiency Institutional	Guidelines	Resource Management and Accountability Department	31 March 2014
21 <b>Programme monitoring and evaluation:</b> Synergies for monitoring among humanitarian players – clusters have been action-oriented, and organizations have performed their monitoring independently.	Build synergies for monitoring activities into the agendas of the clusters led by WFP.	Operational Operational efficiency Programmatic	Best practice	Operations Management Department	31 December 2013

## IV. Detailed Assessment

### Control Activities

### High Risk

#### Observation 1      Security: Managing United Nations staff ceilings in an emergency

22. UNDSS imposed staff ceilings for international staff presence in Libya, and allocated numbers across the different agencies. The Benghazi ceiling was for 30 international UN staff (of which six were allocated to WFP) until August 2011, when it was increased to 40 and later to 50 in November 2011. In September 2011, an international presence was permitted in Tripoli, with an initial ceiling of 20, increased to 30 in November 2011.

23. Non-Governmental Organizations (NGOs) and the Red Cross were not subject to such ceilings and, therefore, were able to operate with more people on the ground and to reach some areas before UN staff could. WFP, UNDSS and the Resident Coordinator discussed the programme implications of the low ceilings several times at local level, and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), in its report on the lessons learned from OCHA's Response to the Libya Crisis (February to December 2011), noted that low staff ceilings in Tripoli and Benghazi limited access and required shuffling of staff in and out to allow for various missions. The report recommended that OCHA address the issue of higher staff ceilings with UNDSS at headquarters for situations where a large-scale and time-sensitive humanitarian operation is required.

24. The audit did not see evidence of the limitations being formally addressed at a higher level. The Country Office informed us that UNDSS decides on the number of total positions based on a number of factors, including the availability of safe accommodation, armoured vehicles and aircraft, and that after WFP proactively took the initiative to find and rent a compound in Benghazi, staff ceilings were increased.

#### Recommendation 1

<b>Underlying cause of observation:</b>	Guidance: Responsibilities had not been defined for taking actions that would enable the staff ceiling to increase (such as purchase of more armoured vehicles, set-up of secure compounds).
<b>Implication:</b>	Low staff ceilings can lead to WFP being unable to follow project implementation on the ground.
<b>Policies, procedures and requirements:</b>	Timeliness, quality and efficiency of operations.

Recommendation: The Field Security Division should, in consultation with the other United Nations agencies, encourage UNDSS to develop criteria for responsibilities regarding actions to manage staff ceilings.

**Agreed management actions:** The Field Security Division agreed with the recommendation and will:

- Bring the issue to the Inter-Agency Security Management Network (IASMN).

**Target implementation date:** 31 December 2013.

## Information and Communication

High Risk

### Observation 2 External relations and partnerships: Quantifying the reach of WFP's operations

25. Based on a 2005 document: *Guidance on beneficiary counting*, a WFP food beneficiary is defined as "a targeted person who is provided with WFP food ... Thus a person who received one week's emergency rations after a cyclone should be counted equally with a person who got monthly rations during a protracted relief operation for the full year. Therefore the counting of a beneficiary is not dependent upon the amount of food the beneficiary receives."

26. This definition implies that anyone who receives the rations as per their identified needs should be counted as one beneficiary. However, there is no specific guidance on what to do if WFP is unable to provide the complete food basket for the agreed number of days. A targeted person receiving less food than planned can, therefore, still be counted as a beneficiary. The 2011 Standard Project Report for the Libya Emergency Operation shows that WFP distributed food to 1.3 million people, and the average food basket received by each of them was about half of their entitlement as per the approved project budget. In the context of the Libya emergency there was no detailed list of beneficiaries.

### Recommendation 2

**Underlying cause of observation:**

Guidance: WFP has historically focused on high-level indicators, which may not provide useful information on whether food basket/number of days of food support have been achieved.

**Implication:**

Reporting accuracy: The total number of beneficiaries reported by WFP may not give a representative view of the impact of WFP operations.

**Policies, procedures and requirements:**

Efficient, effective and transparent use of WFP resources.  
Requirement for being able to demonstrate value for money.

Recommendation: The Performance and Accountability Management Division should assess the

possibility of including additional meaningful performance indicators on beneficiaries reached. Such indicators could capture information on variances including food basket and delivery period.

**Agreed management actions:** The Performance and Accountability Management Division agreed with the recommendation and will:

- Review – in consultation with relevant partners – output indicators currently contained in the Strategic Results Framework to assess whether their more consistent application could improve systematic capture of information on variances, including food basket and delivery period.
- Assess options to identify additional indicators in the context of the development of a new Strategic Results Framework for 2014.
- Consider options for the inclusion of performance indicators on breaks in distribution or reduced distributions for inclusion in the Management Results Framework.
- Consider how triangulation of monitoring information from output, as well as key performance indicators, could allow a more detailed analysis of beneficiaries reached.
- Assess the format and content of the Standard Project Reports to provide a better reflection of the reach of WFP's operations, while recognizing the difficulty of a more complex accounting of beneficiaries, including preparation of 'detailed' lists of beneficiaries, particularly in highly hostile environments where armed conflict and civil unrest is prevalent.

**Target implementation date:** 31 December 2013.

## Annex A – Audit definitions

### 1. Risk categories

A 1. 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<sup>7</sup> and the Standards of the Institute of Internal Auditors**

1	Strategic:	Achievement of the organization'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 2. 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	Securing resources:	Efficiency and effectiveness in acquiring the resources necessary to discharge WFP's strategy – this includes money, food, non-food items, people and partners.
2	Stewardship:	Management of the resources acquired – this includes minimising resource losses, ensuring the safety and wellbeing of employees, facilities management, and the management of WFP's brand and reputation.
3	Learning and innovation:	Building a culture of learning and innovation to underpin WFP's other activities – this includes knowledge management, staff development and research capabilities.
4	Internal business processes:	Efficiency of provision and delivery of the support services necessary for the continuity of WFP's operations – this includes procurement, accounting, information sharing both internally and externally, IT support and travel management.
5	Operational efficiency:	Efficiency of WFP's beneficiary-facing programmes and projects delivery – this includes project design (partnership/stakeholder involvement and situation analysis) and project implementation (fund management, monitoring and reporting, transport delivery, distribution, pipeline management).

<sup>7</sup> Committee of Sponsoring Organizations of the Treadway Commission.

**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.

**2. Causes or sources of audit observations**

A 3. The observations were broken down into categories based on causes or sources:

**Table A.3: Categories of causes or sources**

1	Compliance	Requirement for complying with prescribed WFP regulations, rules and procedures.
2	Guidelines	Need for improvement in written policies, procedures or tools for guiding 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 made by staff entrusted to perform assigned functions.
6	Best practice	Opportunity for improvement to achieve recognized best practice.

### 3. Risk categorization of audit observations

A 4. The audit observations were categorized 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.<sup>8</sup>

**Table A.4: Categorization 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 recommendations made are for best practices as opposed to weaknesses that prevent the meeting of systems and business objectives.

A 5. Low risk recommendations, if any, are communicated by the audit team directly to management, and are not included in this report.

### 4. Recommendation tracking

A 6. The Office of Internal Audit tracks all medium and high-risk recommendations. Implementation of recommendations will be verified through the Office of Internal Audit's system for the monitoring of the implementation of audit recommendations. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe so as to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

<sup>8</sup> An audit observation of high risk to the audited entity may be of low risk to WFP as a whole, conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

## 5. Rating system

A 7. Internal control components and processes are rated according to the severity of their 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 and 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

ERP	Enterprise Resource Planning System
IASMN	Inter Agency Security Management Network
IS/IT	Information Systems/Information Technology
ICT	Information Communication and Technology
NGO	Non-Governmental Organization
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
UN	United Nations
UNDSS	United Nations Department of Safety and Security
WINGS	WFP's corporate ERP system
WFP	World Food Programme