

Internal Audit of WFP Operations in Kenya

Office of the Inspector General
Internal Audit Report AR/14/15



World Food Programme

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Internal Audit of WFP Operations in Kenya

I. Executive Summary

Introduction






1. As part of its annual workplan for 2014, the Office of Internal Audit conducted an audit of WFP Operations in Kenya. WFP's direct expenses in Kenya in 2013 totalled USD 194.8 million, representing 4.6 percent of WFP's total direct expenses for the year. The audit covered activities from 1 January 2013 to 28 February 2014. It included field visits to various locations in Kenya.

2. The audit was carried out in accordance with the Institute of Internal Auditors' 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 components:

Table 1: Summary of conclusions by Internal Control Components

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

Key Results of the Audit

Positive practices and initiatives

4. The audit noted some positive practices and initiatives such as: the implementation of biometric identity verification system in Dadaab and Kakuma to improve accountability regarding provision of food assistance; emphasis on gender equality in the composition of beneficiary committees for various projects visited during the audit; implementation of cash transfers to schools as part of school feeding activities in the Country Programme, replacing direct provision of food; implementation of a hotline for beneficiary feedback; and locally developed applications to support the implementation of cash and voucher programmes.

Audit observations

5. No high-risk observations arose from the audit. The audit report contains fifteen medium-risk observations.

Actions agreed

6. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations. Work is in progress to implement the fifteen 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

Kenya

8. Kenya has a population of over 40 million people, and is a low-income food deficit country. The 2013 Human Development Report ranks Kenya 145 out of 187 countries. Eighty percent of the territory is arid and semi-arid land (ASAL) with limited agricultural potential, but agriculture remains the country's main economic sector. There are deep socio-economic disparities within the country, where most households in the ASAL areas are chronically poor and have high vulnerability to food insecurity due to frequent poor rainfall seasons with drought. Global acute malnutrition among children under 5 often exceeds 15 percent in ASAL areas, while national chronic malnutrition averages 35 percent. The national average for net school enrolment rate is over 90 percent, but arid regions and poor settlements of Nairobi have low rates of less than 40 percent. This is attributable to the pastoral communities' nomadic lifestyle, poor school infrastructure and facilities, and poverty in both arid regions and poor settlements in Nairobi. The national average human immunodeficiency virus (HIV) prevalence for adults (15–64 years) is 5.6 percent. Around 1.2 million Kenyans are living with HIV.

WFP Operations in Kenya

9. WFP has been present in Kenya since 1980. During the period audited, WFP's assistance in Kenya focused on the most food-insecure people living in chronically poor and marginalised areas where development lags markedly behind the rest of the country.

10. The main activities in the period audited comprised:

- *Kenya Country Programme*. This project has two components: provision of school meals; and nutrition support to people living with HIV. The project covers the period January 2009 to June 2014, has a total current budget of USD 132.7 million, and is planned to provide assistance to 773,000 beneficiaries.
- *Protracted Relief and Recovery Operation: Food Assistance to Refugees in Kenya*. This project provides food assistance to refugees living in Dadaab and Kakuma camps, and to the surrounding host communities, via general food distribution and other programmes. The project covers the period October 2011 to September 2014, has a total current budget of USD 435.2 million, and is planned to provide assistance to 616,000 beneficiaries.
- *Protracted Relief and Recovery Operation: Protecting and Rebuilding Livelihoods in the Arid and Semi-arid Regions of Kenya*. This project supports food insecure households in arid and semi-arid lands to cope with and recover from the effects of recurring drought. WFP provides conditional and unconditional transfers (food or cash) to the most vulnerable people during the lean seasons. The project covers the period May 2012 to April 2015, has a total current budget of USD 465.7 million, and is planned to provide assistance to 2,306,000 beneficiaries.

11. WFP's direct expenses in Kenya in 2013 totalled USD 194.8 million, representing 4.6 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 Kenya. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk management and internal control processes.

13. The audit was carried out in accordance 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 the risk assessment exercise carried out prior to the audit.

14. The scope of the audit covered WFP's operations in Kenya from 1 January 2013 to 28 February 2014. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field visit took place between 28 April and 16 May 2014, and included visits to various locations in Kenya including Nairobi, Mombasa, Dadaab, Garissa and Mwingi.

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

- The Country Office (CO) held quarterly meetings involving all national officers to provide a forum in which to discuss the impact of devolution of government in Kenya.
 - The Country Programme included cash transfers to schools as a replacement of direct provision of food, to assist in preparation for transition to the Government-led home grown school meals programme.
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2. Control activities

- Implementation of the biometrics identity verification system in Dadaab and Kakuma refugee camps took place in the period audited. This system improved accountability and efficiency in respect of activities by providing assurance that only eligible refugees were able to access food assistance.
 - The Country Office had developed and deployed systems for managing cash and vouchers, and customized an open source system for managing the beneficiary feedback hotline.
 - An emphasis on gender equality was noted in the composition of beneficiary committees in several projects visited during the audit.
 - Country Office staff from different offices participated in Cooperating Partner (CP) evaluations in order to increase impartiality and promote knowledge-sharing.
 - In addition to standard reporting, a comprehensive monthly finance presentation was produced.
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3. Information and communication

- Regular donor briefing meetings were organised by the Country Office to communicate and present key issues and highlight funding requirements.
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4. Monitoring

- Implementation of a hotline for beneficiary feedback was carried out in both the Country Programme for school feeding activities, and in Protracted Relief and Recovery Operations (PRRO), to assist in monitoring of activities.
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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 business processes in the Country Office:

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

Internal Control Component/Business Process		Risk (Country Office)
1.	Internal environment	
	Internal environment	Low
2.	Risk assessment	
	Enterprise risk management	Medium
	Emergency preparedness and response	Low
3.	Control activities	
	Finance and accounting	Low
	Programme management	Medium
	Transport and logistics	Medium
	Commodity management	Medium
	Procurement	Low
	Human resources	Medium
	Property and equipment	Medium
	Administration and travel	Low
	Security	Medium
	Mobilise resources	Medium
4.	Information and communication	
	Information and communications technology	Medium
	Internal and external 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. No high-risk observations arose from the audit. Fifteen medium-risk observations arose from the audit. These are presented in Table 4.

Action agreed

19. Management, in discussion with the Office of Internal Audit, has agreed to take measures to address the reported observations. Work is in progress to implement the fifteen 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: Medium-risk observations

Observation	Agreed action	Risk categories ³	Underlying cause category	Owner	Due Date	
Risk Assessment						
1	<p>Enterprise risk management: Completion of Country Office risk register – Risk registers in place during the audit period were not complete in respect of current mitigating actions, mitigating action plans, and risk owners. No current or planned mitigating actions were documented for one risk classified as “high”. Specific completion dates for actions, where relevant, were not included, and the completion status of all actions was stated as “ongoing”.</p>	<p>The CO will revise and update the risk register to complete all relevant outstanding areas. Details of mitigating actions will, where necessary, be expanded so as to provide meaningful and measurable targets against which to assess progress in implementation of actions. Specific completion dates will be set where relevant.</p>	<p>Compliance Processes & Systems Institutional</p>	Compliance	Kenya Country Office	30 September 2014
Control Activities						
2	<p>Programme management: Management of Field Level Agreements (FLAs) and the creation of related liabilities; monitoring of reporting from Cooperating Partners (CPs) – Several FLAs with CPs for activities implemented during the audit period were signed between 28 and 75 days after activities had commenced. There were delays in the recording of liabilities relating to these activities in the corporate Enterprise Resource Planning system (WINGS).</p> <p>A number of reports due from CPs as per the FLAs had not been submitted. There was no evidence that the non-submission of these reports had been identified or followed up.</p>	<p>The CO will implement procedures to improve the timeliness of the preparation, approval and signing of FLAs prior to activities commencing, and of the recording of the related liabilities in WINGS.</p> <p>The CO will introduce procedures to ensure that all reports due from CPs are submitted when due, or tracked and followed up.</p>	<p>Compliance Processes & Systems Programmatic</p>	Compliance	Kenya Country Office	30 September 2014

³ See Annex A for definition of audit terms.

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Observation	Agreed action	Risk categories ³	Underlying cause category	Owner	Due Date
<p>3 Programme management: Evaluation of Cooperating Partners (CPs) – The audit noted inconsistencies in the criteria applied to the review and evaluation of CPs in the Refugees PRRO project: performance areas assessed were not commonly applied; key performance indicators were not consistently assessed; and good practices were not always communicated. There was no system in place to track implementation of recommendations arising from either internal or external evaluations of CPs.</p>	<p>The CO will standardise the process for evaluating the performance of CPs and for reporting on the results of evaluations to ensure consistency in reviews and to minimise the risk of overlooking important issues.</p> <p>The CO will put in place a system to track the implementation of recommendations made regarding the performance of CPs.</p>	<p>Operational Partnerships Programmatic</p>	<p>Guidance</p>	<p>Kenya Country Office</p>	<p>30 September 2014</p>
<p>4 Programme management: Lack of formal agreement with CP – One of the CPs had distributed food commodities made available by WFP since October 2012 on the basis of an undocumented agreement. The food distributed during the audit period amounted to 254 metric tonnes.</p>	<p>The CO will liaise with the WFP Legal Unit to identify options for signing an agreement with the CP. As an interim measure, the CO will pursue completing an exchange of letters with the CP to show intention to reach an agreement and to outline understanding of activities being carried out and related responsibilities.</p>	<p>Compliance Partnerships Programmatic</p>	<p>Compliance</p>	<p>Kenya Country Office</p>	<p>30 September 2014</p>
<p>5 Transport and logistics: Railway development levy (RDL) – In 2013, the Government of Kenya introduced a levy based on the value of imported commodities into the country. By May 2014, the CO had paid more than USD 0.5 million. The CO was seeking exemption from this levy. Although considered to be refundable, this amount was not recognised in the CO’s financial records as a receivable.</p> <p>RDL costs were not included in the landside transport, storage and handling (LTSH) rate, but were being covered by locally-generated funds (LGF). This was not likely to be sustainable in the longer term.</p>	<p>The necessary accounting entries will be made in the Enterprise Resource Planning system (WINGS) in line with the corporate accounting standards.</p> <p>The CO will continue to pursue the Kenyan Government for a reimbursement of payments made and an exemption from the levy.</p>	<p>Operational Processes & Systems Contextual</p>	<p>Guidance</p>	<p>Kenya Country Office</p>	<p>31 December 2014</p>

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Observation	Agreed action	Risk categories ³	Underlying cause category	Owner	Due Date
6 Transport and logistics: Transporters roster management – The roster of transporters was last reviewed and updated in November 2012, although the Transport Manual requires an annual review. The audit noted that approximately ten percent of total transport purchase orders in the period audited were contracted with transporters who had achieved a performance score of 2 or less compared to a target score of 5.	The CO Logistics unit will carry out a comprehensive annual review of the roster of transporters. The review will take into account consideration of the performance evaluations of transporters, particularly those who have low performance scores.	Compliance Processes & Systems Institutional	Compliance	Kenya Country Office	30 September 2014
7 Commodity management: Warehouse facilities in Mombasa – The capacity of the four warehouse locations in Mombasa was not fully utilised. During 2013, warehouse utilisation rates varied from 84 percent to 13 percent, and for the first four months of 2014 from 72 percent to 0 percent as one leased warehouse was no longer used. Dispersed and excess warehouse capacity has been under review since early 2012 but is pending a decision. During a visit to the warehouse facilities in Mombasa the audit noted that one warehouse was not secured and was not compliant with UN Minimum Operating Security Standards (MOSS).	The CO will conduct a review of warehousing facilities in Mombasa with a view to maximise the utilisation of available capacity, taking into account other factors such as security.	Operational Accountability and funding Institutional	Guidance	Kenya Country Office	Implemented
8 Human resources: Checks on authenticity of qualifications for potential employees – Validation of qualifications of prospective applicants was not carried out as part of the CO’s recruitment procedures.	The CO will develop verification procedures for prospective employees’ academic and professional qualifications as part of the recruitment process.	Compliance People Institutional	Guidance	Kenya Country Office	Implemented
9 Property and equipment: Vehicles acquired for donation not transferred to intended recipient – In November 2011 the CO acquired three vehicles using Other Direct Operating Cost (ODOC) funds for a total cost of USD 100,228. These vehicles were acquired for the purpose of donation to the Government of Kenya; however at the time of the audit two of the vehicles were still in the custody and use of the CO.	The CO will agree a plan to transfer to the Government vehicles acquired using ODOC funds.	Compliance Accountability and funding Programmatic	Compliance	Kenya Country Office	30 September 2014

Observation	Agreed action	Risk categories ³	Underlying cause category	Owner	Due Date
<p>10 Security: Monitoring of UN Minimum Operating Security Standards (MOSS) compliance and performance of security rehearsal exercises – A formal evaluation of MOSS compliance in several offices in Kenya was carried out by the Compliance Evaluation and Monitoring Unit (CEMU) in 2012. Although the overall level of compliance was found to be relatively high, lists of requirements concerning non-compliance were issued for all locations reviewed. Some actions had been taken in respect of non-compliant issues but a complete review and follow-up of all items included in the CEMU reports had not been carried out.</p> <p>Security plan rehearsals such as mass casualty exercises and plans for evacuation of buildings had not been carried out in a number of locations, including locations where an absence of such rehearsals was noted in the 2012 CEMU report.</p>	<p>The CO will:</p> <p>a) Carry out a review of all non-compliance issues identified in the 2012 CEMU report and resulting actions taken. The results of the review will be used as a basis to implement further improvements, or to document where risks will be accepted;</p> <p>b) Conduct rehearsals of security plans, targeting in particular those offices operating in areas with heightened security levels and those offices where there are perceived threats or security challenges; and;</p> <p>c) Develop a standard operating procedure for following up on future MOSS reviews.</p>	<p>Compliance</p> <p>Processes & Systems</p> <p>Institutional</p>	<p>Compliance</p>	<p>Kenya Country Office</p>	<p>31 December 2014</p>

Observation	Agreed action	Risk categories ³	Underlying cause category	Owner	Due Date
<p>11 Mobilise resources: Exposure to risk of pipeline breaks and reliance on advance funding – The CO averted three potential major pipeline breaks by utilising corporate advance funding. A total of USD 79.4 million of advance funding was borrowed in the period from January 2013 to the date of the audit, of which USD 26.1 million was yet to be repaid.</p> <p>Potential pipeline breaks arose either because of shortages of funding or because of delays in receipt of donated commodities. In the latter case, it was noted that limited diversity of funding (particularly in the case of the <i>Protecting and Rebuilding Livelihoods in the Arid and Semi-arid Regions of Kenya</i> project) meant that there was a lack of alternatives other than the use of advance funding when delays in delivery occurred.</p> <p>The current resource mobilisation strategy did not include a specific plan to repay outstanding amounts of advance funding.</p>	<p>The CO will continue to target fundraising efforts to diversify funding sources and reduce reliance on advance funding. This will be carried out as part of an updated resource mobilisation strategy which will include plans to repay outstanding amounts of advance funding.</p> <p>The updated resource mobilisation strategy will include reference to, and be aligned with, mechanisms in the CO to monitor pipeline and avert pipeline breaks.</p>	<p>Strategic</p> <p>Accountability and funding</p> <p>Institutional</p>	<p>Guidance</p>	<p>Kenya Country Office</p>	<p>30 September 2014</p>
<p>12 Mobilise resources: Resource mobilisation strategy – The CO’s resource mobilisation strategy did not follow the recommended corporate template for a Country Resource Strategy and Plan. In particular the CO’s strategy document did not contain detailed actions and targets which could be measured and monitored on a regular basis.</p> <p>The resource mobilisation strategy contained assumptions about refugee numbers in Kenya which did not align with the CO risk register.</p>	<p>The CO will prepare a revised and updated resource mobilisation strategy, following the suggestions in the corporate template. The revised strategy will include targets capable of being monitored, measured and periodically revised.</p> <p>The revised strategy will be aligned with relevant risks in the CO risk register.</p>	<p>Strategic</p> <p>Accountability and funding</p> <p>Institutional</p>	<p>Guidance</p>	<p>Kenya Country Office</p>	<p>30 September 2014</p>

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Observation	Agreed action	Risk categories ³	Underlying cause category	Owner	Due Date
Information and communication					
13 Information and Communications Technology: User-developed applications – Eighteen user-developed applications were in use by various business units within the CO. The CO IT unit had not been involved in the development of these applications, and its ability to provide support was limited as relevant documentation was not available for all of the applications. Identification and verification of support roles and procedures between the IT unit and business units had not taken place.	For existing user-developed applications, an exercise will be undertaken to identify and verify support roles and procedures between the IT unit and relevant business units. Future development of applications will be carried out in accordance with WFP's Application Management Policy to ensure that all relevant development steps are followed and adequate information is available to enable provision of support.	Operational Processes & Systems Institutional	Guidelines	Kenya Country Office	30 September 2014
Monitoring					
14 Programme Monitoring and Evaluation: Monitoring of activities in areas with security constraints – Security constraints in certain areas meant that the CO was unable to conduct independent monitoring of all activities implemented by CPs. In some cases monitoring was carried out by the CPs themselves. As a compensatory measure, priority was given to expanding a beneficiary hotline feedback mechanism (launched in January 2013) to highly insecure areas of the country effective from April 2014.	The CO will assess the effectiveness of the beneficiary feedback hotline, and explore alternative options including third-party monitoring to ensure that sufficient and adequate independent monitoring data is obtained.	Compliance Programmes Programmatic	Compliance	Kenya Country Office	31 December 2014

Observation	Agreed action	Risk categories ³	Underlying cause category	Owner	Due Date
<p>15 Programme Monitoring and Evaluation: Delays in issuance of monitoring reports - There were delays in the issuance of monthly corporate monitoring reports which amalgamate data from all field offices and provided analysis against key performance indicators. Relevant data was gathered from all field offices; however due to competing priorities, the CO Monitoring and Evaluation unit did not complete analysis and share reports on a timely basis, and delays of between 2 and 3.5 months in production of reports occurred.</p> <p>It was reported that given the high number of reports required, a decision had been taken to move to a web-based platform. This would enable project managers to monitor performance indicators against real-time data.</p>	<p>The CO will take steps to expedite the timely issuance of monitoring reports on a manual basis until the web-based system is fully operational.</p>	<p>Compliance Programmes Programmatic</p>	<p>Compliance</p>	<p>Kenya Country Office</p>	<p>31 December 2014</p>

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 recognizes 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 frameworks⁴ 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 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 enable 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.

⁴ 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.

3. Causes or sources of audit observations

A 5. The observations were 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. The audit observations were 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 is 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.⁵

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 made 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 high and medium-risk observations. Implementation of agreed actions will be monitored through the Office of Internal Audit’s electronic system to ensure that actions agreed with management are effectively implemented within the agreed

⁵ 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.

timeframe so as to manage 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 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

ASAL	Arid and semi-arid land
CEMU	Compliance Evaluation and Monitoring Unit
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPs	Cooperating Partners
EPRP	Emergency Preparedness and Response Package
FLA	Field Level Agreement
HIV	Human Immunodeficiency Virus
IIA	Institute of Internal Auditors
IS/IT	Information Systems/Information Technology
ICF	Internal Control Framework
ICT	Information Communication and Technology
LGF	Locally-generated funds
LTSH	Landside transport, storage and handling
M&E	Monitoring and Evaluation
MOSS	Minimum Operating Security Standards
ODOC	Other Direct Operating Cost
PRRO	Protracted Relief and Recovery Operation
RDL	Railway development levy
SO	Sub Office
UN	United Nations
VAM	Vulnerability Analysis and Mapping
WINGS	WFP's Corporate Enterprise Resource Planning system
WFP	World Food Programme