

Internal Audit of WFP Operations in Nicaragua

Office of the Inspector General
Internal Audit Report AR/15/08



World Food Programme

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Internal Audit of WFP Operations in Nicaragua

I. Executive Summary

Introduction

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Nicaragua that focused on the period of 1 January to 31 December 2014. WFP's total expenditure in Nicaragua in 2014 stood at USD 6.3 million or 0.13 percent of WFP's total expenditures for the year. The audit team performed the field work in the country from the 9 to the 27 March 2015, which included onsite visits to various locations in Nicaragua and a review of related corporate processes that impact across WFP.

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

Audit Conclusions

3. 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	Medium	
2. Risk management	Low	
3. Control activities	Medium	
4. Information and communication	Low	
5. Monitoring	High	

Key Results of the Audit

Positive practices and initiatives

4. The audit noted some positive practices and initiatives, such as alignment of its interventions to national development plans and programmes to allow for mid-term sustainability and a focus on capacity building and resilience activities; good working relations with the Government of Nicaragua allowing for advocacy and enabling WFP to reach vulnerable populations; open and effective communication and engagement with private and government donors; a proactive approach by the CO to address funding challenges to and continuity of its operations.

Audit observations

5. The audit report contains two high risk observations and five medium-risk observations. The high-risk observations are:

Programme Management: Agreements with and Assurance from Implementing Partners - WFP operations in Nicaragua were designed with an exit strategy aimed at handing over programme implementation and decreasing food transfers over time. The audit noted gaps in the definition of the roles and responsibilities of Implementing Partners (IPs) in the implementation of programmes. Moreover, oversight and assurance mechanisms over the use of WFP funds and commodities by partners required further strengthening. The audit also noted the supporting Country Programme Action Plan (CPAP) and Letter of Understanding (LoU) agreements were delayed thus impacting the ability of the CO to mobilize resources and delaying the implementation of certain project components.

Programme Monitoring and Evaluation (M&E): External and Internal Constraints to Monitoring - Improvements to the M&E set-up in the CO were noted. However external constraints still hindered the CO's ability to establish baseline data, monitor the implementation of its activities and accurately report on the outcome of its programmes. Opportunities for leveraging and creating synergies between resources and activities dedicated to programme implementation and monitoring goals were identified during the audit.

Actions agreed

6. In discussion with the Office of Internal Audit, management has agreed to take measures to address the reported observations.

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

Nicaragua

8. According to the World Bank, as of 2014 Nicaragua was the second poorest country in Latin America. Nicaragua remains highly vulnerable to recurrent natural disasters and the effects of climate change, ranking third in the Long-Term World Climate Risk Index of countries most affected by climate change. Despite stable economic growth in recent years and investment by the government in programmes aimed at fighting poverty and malnutrition, over 42 percent of the population remains below the poverty line, with 80 percent living in rural areas and indigenous communities.

WFP Operations in Nicaragua

9. WFP has been present in Nicaragua since 1971. At the time of this audit, the WFP office in Nicaragua consisted of the CO in Managua, and four field offices. During the period under review, WFP Nicaragua aimed to support 828,000 people through various activities including the School Feeding and Purchase for Progress (P4P) programmes, while engaging with the government in capacity building and providing support to vulnerable populations and increasing resiliency. The CO has engaged in emergency response and preparedness actions and was noted to be in an advanced state of readiness to address the risk of potential natural disaster inherent in the country.

10. The CO's portfolio of operations in 2014 included the following operations:

- *Country Programme Nicaragua 2013-2018 (CP 200434)*. This programme aims at supporting the government in the design and implementation of long-term approaches to break the inter-generational cycle of under nutrition and hunger, by supporting national programmes that prevent chronic malnutrition among children aged 6–23 months and pregnant and lactating women; supporting access to education for pre-school and primary school-aged children through school feeding programme; enhancing the resilience to shocks among food-insecure rural households that depend on degraded natural resources; improving HIV patients' adherence to treatment in food-insecure areas; and enhancing government capacities to design and implement programmes to predict and reduce hunger.
- *Restoring Food Security and Livelihoods for Vulnerable Groups affected by recurrent shocks in El Salvador, Guatemala, Honduras and Nicaragua (PRRO 200490)*. This project, which commenced in January 2014, aims to assist the most vulnerable communities affected by recurrent shocks, climate change as well as communities affected by the coffee rust. The PRRO also aims to enhance the capacities of local emergency response and preparedness institutions. The PRRO planned for the use of various transfer modalities of food assistance.

Objective and Scope of the Audit

11. 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 Nicaragua. 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.

12. 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 engagement plan and took into consideration the risk assessment exercise carried out prior to the audit.

13. The scope of the audit covered WFP's operations in Nicaragua from 1 January to 31 December 2014. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work took place between the 9 and the 27 March 2015 in Managua and other locations in Nicaragua.

III. Results of the Audit

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

Table 2: Positive practices and initiatives

1. Internal Environment

- Alignment of WFP interventions to national development plans and programmes to allow for mid-term sustainability and a focus on capacity building and resilience activities.
- Good working relation with the Government of Nicaragua allowing for advocacy and enabling WFP to reach vulnerable populations.

2. Control Activities

- Pro-active initiatives by the CO to address funding challenges and continuity of its operations.

3. Information and communication

- Open and effective communication and engagement with private and government donors.
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15. 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	Medium
Organisational structure and delegated authority	Medium
Internal oversight	Low
Ethics	Low
2. Risk management	
Enterprise risk management	Low
Emergency preparedness and response	Medium
3. Control activities	
Finance and accounting	Low
Programme management	Medium
Transport and logistics	Medium
Procurement	High
Human resources	Medium
Travel and administration	Low
Partnership and coordination	Medium
Security	Low
Gender	Low
Property and equipment	Low
Information and Communications Technology (ICT)	Low
Resource management	High
4. Information and communication	
External and internal communication	Low
5. Monitoring	
Programme monitoring and evaluation	High

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

17. The audit report makes two high-risk observations, which are detailed in Section IV, and five medium-risk observations. Tables 4 and 5 below present the high and medium risk observations, respectively.

Action agreed

18. In discussion with the Office of Internal Audit, management has agreed to take measures to address the reported observations. 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: Summary of high-risk observations (see Section IV for detailed assessment) Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Control Activities					
<p>1 Programme Management – Agreements with and assurance from IPs: WFP operations in Nicaragua were designed with an exit strategy aimed at handing over programme implementation and decreasing food transfers over time. The audit noted gaps in the definition of the roles and responsibilities of IPs in the implementation of programmes. Moreover, oversight and assurance mechanisms over the use of WFP funds and commodities by partners required further strengthening. The audit also noted the supporting CPAP and LoU agreements were delayed thus impacting the ability of the CO to mobilize resources and delaying the implementation of certain project components.</p>	<p>(1) The CO will identify key stakeholders, expected timing key engagement steps and related potential risks in a plan of advocacy and early engagement to ensure project agreements and supporting plans of operation are signed on a timely basis. The CO will ensure that going forward agreements with partners include all terms and conditions and mandatory clauses necessary to clarify roles and responsibilities of partners to meet WFP corporate and donor-specific requirements for programme implementation and will find interim solutions to ensure partner obligations are met until the signature of new agreements.</p>	Operational Partnerships Contextual	Best practices	Nicaragua Country Office	31 December 2015
	<p>(2) The CO will establish and include in operational handover agreements with each IP criteria for assessing capacities and defined support activities that are required to address capacity gaps, performance measurement expectations and indicators that will trigger the handover of activities to IPs, and access, ownership and/or verification rights to monitor IPs' capacities.</p>				31 December 2015
	<p>(3) The CO will apply the Harmonized Approach to Cash Transfers (HACT) framework and tools whenever possible and relevant. Where limitations on the use of the HACT framework may be present, the CO will identify other mechanisms to assess the partners' internal controls.</p>				31 July 2015

Table 4: Summary of high-risk observations (see Section IV for detailed assessment) Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Monitoring					
<p>2 Programme Monitoring and Evaluation: External and internal constraints for effective monitoring - Important improvements to the M&E set-up in the CO were noted. External limitations still hindered the CO's ability to establish baseline data, monitor the implementation of its activities and measure and report on the outcome of its programmes. Due to limitations to the publication of data from third party sources, the office addressed data limitations - where possible - through proxy-data collection, outreach to donors and partners and/or other verifications. During field visits, the audit noted opportunities for leveraging and creating synergies between resources and activities dedicated to programme implementation and monitoring.</p>	<p>(1) The CO will pursue ongoing efforts to develop evidence-based programme interventions, including direct advocacy with relevant counterparts, and escalation to the Panama Regional Bureau (RBP) or HQ levels if required, will explore options for alternative indicators and/or proxy data including identifying reliable mechanisms to obtain regular feedback at the community level from populations receiving WFP assistance, and will maintain donor engagement by communicating the challenges and efforts deployed by the CO to identify alternative data.</p>	<p>Reporting Programmes Contextual</p>	<p>Compliance</p>	<p>Nicaragua Country Office</p>	<p>31 December 2015</p>
	<p>(2) The CO will review the terms of reference of field staff to ensure these clarify their field-level data gathering responsibilities, and improve report structure and database tools to provide market intelligence and assessment data needed for procurement decisions.</p>				<p>31 July 2015</p>

Table 5: Medium risk observations Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Internal Environment					
3 Strategic planning and performance– Country Strategy: Corporate guidelines call for the development of a Country Strategy (CS) to ensure that WFP defines its vision and priorities as a response to government and UN objectives and priorities. No CS was developed by the CO that would have contributed to aligning the activities of the Country Programme 2013-2018 to the United Nations Development Assistance Framework (UNDAF) cycle 2013-2017, meet corporate expectations of strategic and operational integration, and mitigate the risk related to the scale-up of new components and tools for food assistance. The CO could use the CS to strengthen its strategic positioning and planning with the government and to re-evaluate the appropriateness of its programmatic approaches given the operational context and challenges faced in the implementation of its current programmes.	The CO will coordinate and consult with RBP on the development of a CS for the next programme cycle, taking into consideration the UNDAF mid-term review to take place in 2015, will ensure early consultation with key stake holders, and will define a plan for the completion of all steps required in the preparation of the CS.	Strategic Programmes Programmatic	Best practices	Nicaragua Country Office	31 December 2016
Control Activities					
4 Procurement - Strengthening of the Procurement Set-up: The review of procurement transactions highlighted gaps in the implementation of internal controls. There was no comprehensive annual procurement plan, resulting in weaknesses in the needs requirements as developed by requisitioning units as well as in the subsequent planning of purchases. There was insufficient supplier performance monitoring and vendor information was not always up-to-date.	(1) The CO will strengthen the role of the Procurement Unit and will raise the awareness of all requesting units on segregation of duties between requisitioning and procurement functions, while ensuring the Procurement Unit is involved in drafting and reviewing internal requisitions up to the publication of solicitations. (2) The CO will develop an annual procurement plan that includes forecasts of food, non-food items and service requirements and review this plan to adjust for requirement changes on a periodic basis, will complete supplier performance evaluation upon completion of the contracts, using this information to	Operational Processes and Systems Institutional	Guidance	Nicaragua Country Office	31 August 2015 31 December 2015

Table 5: Medium risk observations Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<p>7 Resource Management - Funding strategy and resource management: Due to several factors impacting funding, the sustainability of the CO's activities was challenged and the CO's efforts to mobilise resources could have benefited from a formal funding strategy. A review of service contracts and functions of a critical and continuing nature as well as a review of the composition of its governing bodies and decision-making processes was necessary and planned to start in May 2015. The audit acknowledges the CO's efforts in addressing the funding challenges and constraints to mitigate the risk to the continued operation and delivery of assistance at current levels in Nicaragua. Due to external factors not within the control of the CO, the risk remains inherently high.</p>	<p>(1) The CO will develop a formal funding strategy with support from the RBP, designate a focal point to coordinate resource mobilization efforts, and set targets, design and monitor resource mobilization actions on a frequent and periodic basis to assess their effectiveness.</p> <p>(2) The CO will prepare additional contingency measures to deal with funding gaps, to ensure operations are in line with the most likely and prudent funding scenarios and will communicate and coordinate with partners on any challenges to the implementation of planned activities.</p> <p>(3) The CO will implement processes for continuous budget monitoring, assess the effectiveness of its savings measures and identify further areas for efficiency gains.</p>	Strategic Accountability and funding Programmatic	Resources	Nicaragua Country Office	<p>31 October 2015</p> <p>31 May 2015</p> <p>31 May 2015</p>

IV. Detailed assessment

Control Activities**High Risk****Observation 1 Programme Management: Agreements and Assurance from Implementing Partners**

1. The Country Programme activities started in April 2013 and the Regional PRRO activities started in January 2014. WFP operations in Nicaragua were designed with an exit strategy through capacity building activities aimed at handing over programme implementation and decreasing food transfers over time. In reviewing the various programme documents and agreements, the audit noted gaps in the definition of the roles and responsibilities in a) the implementation to ensure WFP funds and commodities were handled in accordance with corporate standards, and b) for later handover and transfer of responsibilities.
2. The CO had started relying on the UN HACT framework to gain assurance on funds transferred to partners for the planned rehabilitation of a government warehouse, oversight and assurance mechanisms for the use of WFP funds and commodities by partners required further strengthening.
3. The supporting CPAP and LoU agreements were not signed until 16 and 4 months respectively after the start of the activities thus impacting the ability of the CO to mobilize resources and delaying the implementation of certain project components.

Underlying cause of observation:

We noted lengthy and complex processes for soliciting approval of projects, as well as changes of partners' staff for the different programme components. Project draft documents and negotiations did not sufficiently anticipate external delays. Use of incorrect agreement template leading to insufficient provisions for monitoring, evaluation, reporting and accounting activities. Absence of initial assessments and defined KPIs for handover of responsibilities to partners; lack of continuous oversight on programme implementation to ensure WFP corporate standards are met.

Implication:

Reduced ability to mobilize resources and delays in the implementation of certain project components; limited assurance on partners' use of funds and commodities according to WFP standards.

Policies, procedures and requirements:

Programme Guidance Manual, Implementing Partner Agreements and Capacity Building Chapters, and HACT Framework.

Agreed action 1: Ensure timely signature of agreements and completeness of terms and conditions.

The CO will identify key stakeholders, expected timing key engagement steps and related potential risks in a plan of advocacy and early engagement to ensure project agreements and supporting plans of operation are signed on a timely basis. The CO will ensure that going forward agreements with partners include all terms and conditions and mandatory clauses necessary to clarify roles and responsibilities of partners to meet WFP corporate and donor-specific requirements for programme implementation and will find interim solutions to ensure partner obligations are met until the signature of new agreements.

Due date: 31 December 2015

Agreed action 2: Operational Handover Plans

The CO will establish and include in operational handover agreements with each partner criteria for assessing capacities and defined support activities that are required to address capacity gaps, performance measurement expectations and indicators that will trigger the handover of activities to IPs, and access, ownership and/or verification rights to monitor IPs' capacities.

Due date: 31 December 2015

Agreed Action 3: Application of HACT and/or other assurance mechanisms

The CO will build on and apply the HACT framework and other tools whenever possible and relevant. Where limitations on the use of the HACT framework may be present, the CO will identify other mechanisms to assess the partners' internal controls.

Due Date: 31 July 2015

Monitoring

High Risk

Observation 2 Programme Monitoring and Evaluation

1. The audit noted improvements to the M&E set-up in the CO, including evidence of a more structured approach to post-distribution monitoring. However, external limitations remained to the CO's ability to establish effective baseline data, monitor the implementation of its activities and accurately measure and report on the outcome for some of its programme components.
2. Due to limitations on the publication of data from third party sources, the office addressed data limitations - where possible - through proxy-data collection, outreach to donors and partners and/or other verifications.
3. During field visits, the audit also observed diverse opportunities for improvement in the programme implementation. The presence of P4P monitors in the field and clear definition of their contribution to monitoring, information collected and shared would provide for useful data without additional resourcing from the CO.

Underlying cause of observation:

External limitations to the CO's ability to establish baseline data, monitor the implementation of its activities and measure and report on the outcome of its programmes. Lack of alternative approaches in the face of continuing restrictions and limitations. For component 5 of the CP, unclear roles of staff monitoring responsibilities and a lack of effective and properly defined cross-functional communication and coordination in support of procurement activities.

Implication:

WFP's ability to provide evidence-based reporting of the outcomes of its operations to stakeholders is impacted. Impact on WFP's ability to garner continuing support from potential donors in the absence of demonstrated results. Potential conflict of interest due to inadequate segregated monitoring, capacity development and augmentation, and procurement support activities and roles.

Policies, procedures and requirements:

Programme Guidance Manual, NFI procurement manual, procurement principles and P4P corporate guidance.

Agreed action 1: Perform baseline studies to enhance evidence-based results of interventions

The CO will pursue ongoing efforts to develop evidence-based programme interventions, including (a) direct advocacy with relevant counterparts, and escalation to RBP or HQ levels if required, will explore options for alternative indicators and/or proxy data including identifying reliable mechanisms to obtain regular feedback at the community level from populations receiving WFP assistance, and will maintain donor engagement by communicating the challenges and efforts deployed by the CO to identify alternative data.

Due Date: 31 December 2015

Agreed action 2: Clarify roles and tools for information collection and sharing

The CO will review the terms of references of field staff to ensure these clarify their field-level data-gathering responsibilities, improve report structure and database tools to provide market intelligence and assessment data needed for procurement decisions.

Due Date: 31 July 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 them 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 frameworks³ 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 and 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.

³ Committee of Sponsoring Organizations of the Treadway Commission

5	Accountability & Funding:	Predictable, timely and flexible resources obtained – Strategic transparent and efficient allocation of resources – Accountability frameworks utilised – Effective management of resources demonstrated.
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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 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.⁴

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.

⁴ 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. 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 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 processing. 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

CCTI	Committee of Commodities, Transport and Insurance
CO	Country Office
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CPAC	Country Programme Action Plan
CS	Country Strategy
CSB	Corn Soya Blend
HACT	Harmonized Approach to Cash Transfers
IP	Implementing Partner
LoU	Letter of Understanding
M&E	Monitoring and Evaluation
NFI	Non-Food Items
P4P	Purchase for Progress
RBP	Panama Regional Bureau
UNDAF	United Nations Development Assistance Framework