

Internal Audit of WFP Operations in Myanmar

Office of the Inspector General
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World Food Programme

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Internal Audit of WFP Operations in Myanmar

I. Executive Summary

Introduction






1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Myanmar. WFP's direct expenditures in Myanmar totalled USD 42.4 million in 2014, representing 0.9 percent of WFP's total direct expenditures. The audit focused on activities from 1 January 2014 to 28 February 2015. It included field visits to various locations in Myanmar 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. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory**. 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	Low 
2. Risk management	Medium 
3. Control activities	Medium 
4. Information and communication	Low 
5. Monitoring	Medium 

Key results of the audit

Positive practices and initiatives

4. The country office (CO) participated in a disaster preparedness and response simulation exercise jointly with the Government of the Union of Myanmar, the Association of Southeast Asian Nations (ASEAN) Coordinating Centre for Humanitarian Assistance on disaster management and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) to practice key elements of emergency response plans and to strengthen the coordination, communication, information sharing, and partnership between the key disaster management stakeholders.

Audit observations

5. The audit report contains one high-risk observation and ten medium-risk observations. The high-risk observation is:

Finance and accounting: Banking arrangements and disbursements. In the absence of an Electronic Payment System (EPS), payments were made through cheques or transfer letters, often issued to individuals rather than entities with which the CO had signed contracts.

Payments were not stamped “account payee only”, raising the risk of WFP cheques being cashed by third parties or non-defined payees. Companies that had a bank account often requested WFP to issue their payments to their managing directors. Transfer letters did not have all the security features normally incorporated in cheques. There was no updated list of suitable financial institutions from which the CO would accept performance bonds to support procurement contracts.

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 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

Myanmar

8. Myanmar is the second largest country in Southeast Asia, with an estimated population of 51.4 million. Although the country's economy is estimated to have grown by 8.3 percent in 2013/2014, it is one of the least developed in the world with a Human Development Index ranking 150th out of 187 countries in the United Nations Development Programme's Human Development Report for 2014. It is estimated that more than 13 million people or 26 percent of Myanmar's population live below the poverty line. Close to three million people are considered food poor, spending a high percentage of their limited income on food that only allows a restricted diet which does not meet all their consumption needs.

WFP operations in Myanmar

9. WFP has been present in Myanmar since 1994. In addition to the main CO in Yangon, WFP has seven sub-offices and one area office in other locations in the country, and as of February 2015 employed 259 staff (including 17 international staff members). WFP's direct expenditures in Myanmar totalled USD 49.0 million in 2013 and USD 42.4 million in 2014, representing 1.2 percent and 0.9 percent of WFP's total direct expenditures for the respective years.

10. During the period audited, WFP implemented the following project:

- *Protracted Relief and Recovery Operation (PRRO 200299)*. With a budget of USD 204.5 million for the period of implementation (January 2013 to December 2015) and total cumulative commitments and expenditures of USD 113 million as of April 2015, the assistance provided through this project focused on various activities including relief assistance, assets creation, school feeding, nutrition programmes and support to people living with the HIV/AIDS and tuberculosis.

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 Myanmar. 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 planning memorandum 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 Myanmar from 1 January 2014 to 28 February 2015. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work took place in Yangon and other locations in Myanmar.

III. Results of the Audit

14. In performing the audit, the following positive practice and initiative was noted:

Table 2: Positive practices and initiatives

1. Risk management

- The CO participated in a disaster preparedness and response simulation exercise jointly with the Government of the Union of Myanmar, the ASEAN Coordinating Centre for Humanitarian Assistance on disaster management and OCHA to practice key elements of emergency response plans and to strengthen the coordination, communication, information sharing, and partnership between the key disaster management stakeholders.

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	Low
Organizational structure and delegated authority	Low
Internal oversight	Low
Ethics	Low
2. Risk management	
Enterprise risk management	Medium
Emergency preparedness and response	Medium
3. Control activities	
Finance and accounting	High
Programme management	Medium
Transport and logistics	Medium
Procurement	Medium
Human resources	Low
Travel and administration	Low
Partnership and coordination	Low
Security	Low
Gender	Medium
Property and equipment	Low
Information and communication technology	Low
Resource mobilization	Low
4. Information and communication	
External and internal communication	Low
5. Monitoring	
Programme monitoring and evaluation	Medium

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 one high-risk observation, which is explained in detail in Section IV. Ten medium-risk observations arose from the audit. Tables 4 and 5 below present the high and medium-risk observations respectively.

Action agreed

18. 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 agreed actions.²

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 Finance and accounting: Banking arrangements and disbursements - In the absence of an EPS, payments were made through cheques or transfer letters, often issued to individuals rather than entities with which WFP had signed contracts.</p> <p>Payments were not stamped "account payee only" thus raising the risk of WFP cheques being cashed by third parties or non-defined payees. Companies that had a bank account often requested WFP to issue their payments to their managing directors.</p> <p>Transfer letters did not have all the security features normally incorporated in cheques.</p> <p>There was no updated list of suitable financial institutions from which the CO could accept performance bonds to support procurement contracts.</p>	<p>The CO will:</p> <p>(a) Ensure that payments are only issued to those payees who provided goods or services;</p> <p>(b) Ensure that internal controls are in place for cheque payments (e.g. reconciliation with cheque books, presence of security features, such as stamped "account payee only" and "not valid after", custody in a safe with restricted access);</p> <p>(c) Enhance the bank transfer letters with a WFP stamp or seal for further authentication while waiting for cheque books and ultimately the EPS to be introduced in the country; and,</p> <p>(d) Conduct a micro financial risk assessment and use its results to establish which bond issuers are suitable for WFP.</p>	<p>Strategic</p> <p>Accountability & funding</p> <p>Institutional</p>	<p>Compliance</p>	<p>Myanmar CO</p>	<p>(a), (b) and (c) 31 July 2015</p> <p>(d) 31 October 2015</p>

Table 5: Medium-risk observations

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date	
Risk Management						
2	Enterprise risk management: Identification and assessment of risks – Assessments of the likelihood and impact of the key risks on which the CO’s Emergency Preparedness and Response (EPR) was based were not consistent with the assessments recorded in the risk register, potentially resulting in inconsistent responses to materialized risks. The risk register did not include certain risks identified by the audit such as cash management in a limited banking environment, and the need to maintain high cash amounts in insecure areas.	The CO will review the EPR and risk register for consistency and adjust its documents as appropriate.	Compliance Processes & Systems Programmatic	Compliance	Myanmar CO	30 September 2015
3	Emergency preparedness and response: Implementation of the Emergency Preparedness and Response Package (EPRP) – The CO had not yet developed a plan to rollout the EPRP to sub-offices, particularly to those prioritized on the basis of identified risks. Certain key minimum preparedness actions such as a review of landing permits/protocols in emergencies, developing a strategy to maintain adequate and secure access to fuel, updating the logistics capacity assessment and ensuring first aid training to all staff, were still pending their implementation.	The CO will develop and implement a plan for the rollout of EPRP to all its sub-offices and area-offices and ensure timely implementation and monitoring of pending preparedness actions.	Compliance Processes & Systems Programmatic	Compliance	Myanmar CO	31 December 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date	
Control activities						
4	<p>Finance and accounting: Foreign Exchange (FX) management – The CO met its local currency needs mainly through local FX transactions, which provided more favourable rates than those quoted by international dealers. Not all local negotiations were cleared with WFP’s Treasury and Financial Risk Management Service (RMFT). The CO developed a Standard Operating Procedure (SOP) to manage these transactions but the SOP did not cover the screening and shortlisting of authorized brokers and dealers, nor the assessments of related liquidity providers or clearance of all local negotiations with RMFT. Clearing of transactions was manual, mainly through the exchange of cheques received against the CO's transfer letters, exposing WFP to a risk of non-settlement. Some transactions were settled in cash, increasing the inherent risk related to transactions involving cash.</p>	<p>The CO will work with RMFT to assess the credit, market and operational risks associated with local FX transactions and will implement the necessary controls to ensure compliance with local regulations and mitigate these risks, including background checks on brokers and liquidity providers and proper management of settlement risk.</p>	<p>Operational Processes & Systems Institutional</p>	Guidelines	Myanmar CO	31 October 2015

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<p>5 Programme management: Beneficiary targeting, registration and verification – The CO had been providing assistance to Internally Displaced Persons (IDPs) through relief operations in the Rakhine and Kachin states since 2011 and 2012 respectively. The audit noted that there was a need for re-targeting in order to ensure that the operation reached the most vulnerable based on food security criteria. In May 2015, the CO begun discussions with the respective State Governments and developing a beneficiary targeting review.</p> <p>The CO was relying on a government-provided lists for registration and verification of beneficiaries. The audit observed distributions in Northern Shan and noted that there was a need for enhanced procedures for the identification of beneficiaries during the collection of entitlements.</p>	<p>The CO will:</p> <p>(a) Continue to work with the Government to define and implement a plan for beneficiary re-targeting; and,</p> <p>(b) Work in coordination with the Government, Cooperating Partners (CPs) and beneficiaries to improve the procedures for ensuring that all beneficiaries are reliably, effectively and efficiently registered and verified.</p>	<p>Strategic</p> <p>Processes & Systems</p> <p>Programmatic</p>	<p>Guidance</p>	<p>Myanmar CO</p>	<p>(a) 31 January 2016</p> <p>(b) 30 September 2015</p>

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
<p>6 Programme management: Design and set-up of Cash for Relief operations – While assessments and cost-benefit analyses concluded that food distributions in-kind were the most cost-effective modality to meet the food security needs of the IDPs, the CO implemented cash-based projects. The CO did not quantify, analyse or report on the positive externalities associated with the choice of transfer modalities in a systematic manner to document the extent to which these drove programmatic decisions.</p> <p>Required micro-financial and field-security assessments were not performed. Not all CPs were requested to open a dedicated Benefit Cash Account (BCA). The CO did not reconcile the BCA of those CPs who opened it.</p>	<p>The CO will:</p> <p>(a) Enhance the decision-making framework and tools for selecting transfer modalities and delivery mechanisms, to ensure that all relevant quantitative and qualitative elements of decision-making are brought together, systematically reviewed and approved by appropriate authorities;</p> <p>(b) As agreed under observation 1 (d), conduct a micro financial risk assessment and attach it to the CO SOPs;</p> <p>(c) Conduct the mandatory Field Security Risk Assessment; and,</p> <p>(d) Ensure that partners and Service Providers (SP) understand and sign the annex of the contractual agreement which calls for them to open and maintain a dedicated BCA, and ensure that the approved bank statement is included in the Partner/SP reporting package in order to allow subsequent reconciliation.</p>	<p>Compliance</p> <p>Programmes</p> <p>Programmatic</p>	<p>Compliance</p>	<p>Myanmar CO</p>	<p>(a) 31 January 2016</p> <p>(b) 31 October 2015</p> <p>(c) 31 December 2015</p> <p>(d) 31 January 2016</p>
<p>7 Transport and logistics: Ordering transport services – The CO did not use the Landside Transport Instruction (LTI) to order transport services, but relied on verbal instructions to transporters. LTIs were filled and kept in the office but not provided to the transporter. Requests for Quotation (RFQ), waybills, award letters, LTIs were in English and transporters could not read them properly and might not be fully aware of clauses, terms and conditions.</p>	<p>The CO will:</p> <p>(a) Enforce the procedure to order transport services through LTI with transporters; and,</p> <p>(b) Assess and respond to the potential need to translate certain transport documents into Myanmar language, with advice from Legal.</p>	<p>Compliance</p> <p>Processes and systems</p> <p>Programmatic</p>	<p>Compliance</p>	<p>Myanmar CO</p>	<p>31 July 2015</p>

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date	
8	<p>Procurement: Direct procurement of Rice Soy Blend+ (RSB+) – Since 2011, the CO procured RSB+ through waiver from one local supplier to whom WFP had donated the equipment to produce the food. In 2014, purchases from this vendor amounted to USD 1 million. Although the aim of this initiative was to build local capacity to produce fortified foods, the supplier had not been able to attract other clients and WFP remained the sole buyer of RSB+. The timely delivery of the product and offered pricing was the subject of several meetings with the supplier, but since 2011, the CO had not performed any market research to identify other potential suppliers.</p>	<p>The CO will review its purchasing needs and sourcing of blended food with the support of a Food Technologist from the Bangkok Regional Bureau who will work with the CO as from June 2015.</p>	<p>Operational</p> <p>Processes & systems</p> <p>Programmatic</p>	Guidelines	Myanmar CO	31 December 2015
9	<p>Procurement: Supply sourcing of vendors (including transporters) and tendering process –The recent developments and reforms in Myanmar allowed increased market opportunities. The audit noted that the CO could enhance its sourcing of vendors (including transporters) through better procurement planning that allowed timely and structured market intelligence, including systematic documentation of sight visits when performed; enhanced documentation of the transporter roster and market rates updates; an updated roster of suppliers of pulses, and a review of long outstanding waivers such as in the case of fuel. The CO should further enhance its procurement process by implementing the corporate email tendering system (In-Tend).</p>	<p>The CO will:</p> <p>(a) Ensure non-food procurement plans are monitored and adjusted as deemed appropriate;</p> <p>(b) Perform market intelligence for potential vendors (including those for transport services) in a structured and documented manner;</p> <p>(c) Update the supplier roster for pulses;</p> <p>(d) Update its analysis of potential fuel suppliers to assess whether a waiver of competition is still appropriate; and,</p> <p>(e) Implement In-Tend and introduce the system to the current suppliers.</p>	<p>Operational</p> <p>Processes & systems</p> <p>Programmatic</p>	Guidelines	Myanmar CO	31 January 2016

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
10 Gender: Gender mainstreaming – Although the current PRRO mentions gender-mainstreaming aspects in its design, there is no formulated gender analysis and strategy that clearly outlines what the CO aims to achieve in this area. Furthermore, the CO had not implemented a capacity development plan for Gender Equality and Women’s Empowerment, and the staff member appointed as gender focal point did not have specific terms of reference supporting her role.	The CO will: (a) Draw up terms of reference for the gender focal point; and, (b) Perform the required analyses under the WFP Certification for Excellence in Gender Mainstreaming to outline a roadmap for gender mainstreaming, including gender training plans.	Strategic Programmes Programmatic	Guidelines	Myanmar CO	(a) 31 July 2015 (b) 31 January 2016
Monitoring					
11 Monitoring and evaluation: Complaints and response mechanism – The corporate guidelines call for COs to consider setting up context-specific and easy-to-use beneficiary complaints and response mechanisms. The performance of these mechanisms had not been assessed by the CO, resulting in limited feedback from beneficiaries to detect any poor performance on the part of CPs or challenges in programme implementation. The system needed to be efficient enough to compensate for the reduction in the CO’s direct contact with beneficiaries due to a limitation in the number of field visits. Staff from the CO and the CPs required more training to enable them to understand and use the system.	The CO will: (a) Assess the current beneficiary complaints and response mechanism and consider setting up context-specific and easy-to-use complaint and feedback mechanisms; (b) Provide office and CP staff with the necessary training for effective use of the system; and, (c) Communicate to stakeholders the availability and arrangements of the complaint and feedback mechanism as part of the sensitisation campaign.	Operational Programmes Programmatic	Guidelines	Myanmar CO	31 August 2015

IV. Detailed Assessment

Control Activities

High Risk

Observation 1 Finance and accounting: Banking arrangements and disbursements

19. In the absence of an Electronic Payment System (EPS), payments were made through cheques or transfer letters. The audit noted the following issues:

20. Payments to individuals – Payments were often made to individuals and not to the organisations with whom the CO had signed agreements. For some national CPs, payments were frequently made to social workers from the organisation as these had experienced difficulties to open a bank account. For food and service suppliers established in Yangon, most payments were made to the bank accounts of the company directors; it was unclear why some companies would request their payments to be made to third parties. In order to mitigate the risk of the corporate entity seeking payments from WFP at a later stage, the CO ensured that the payment requests were approved by the authority who had signed the agreement and the purchase order receiving report.

21. Use of cheques – Most of the payments were made by cheques. The audit noted that not all cheques were stamped "account payee only". Only cheques for bank account transfers were so stamped, while cheques made out in the name of a person were not.

22. Letters of bank transfer – For USD-related disbursements, the CO had not been provided with cheque books by its bank, and was therefore issuing letters of bank transfer. These letters were usually a pre-numbered form with the WFP logo, used as a cheque book and registered in the WINGS II (WFP Information Network and Global System) as cheque lots. The letters of bank transfer did not include the various security features normally incorporated into cheques. A discussion with the bank manager revealed that it was unlikely that the bank would issue cheque books to the CO before 2016.

23. Performance/bid bonds – Although agreements signed with the CO restricted the authorised list of issuers to two state-owned banks, performance/bid bonds accepted from suppliers were issued by licensed Myanmar private banks. The CO informed the audit that the procurement unit would update its RFQ and contract templates to reflect the fact that bonds from new banks would be accepted; however the CO had not undertaken a micro-financial assessment to determine which banks would be acceptable as issuers of performance/bid bonds.

Underlying cause of observation: Limitations in the local banking system; non-compliance with WFP financial regulations; the bank had not availed cheque books to the CO despite repeated requests.

Implication: Potential fraud and misuse of WFP's financial resources.

Policies, procedures and requirements: Financial Resources Management Manual (section 11 – Cash and Treasury Management).

Agreed action: The CO will:

- (a) Ensure that payments are only issued to those payees who provided goods or services;
- (b) Ensure that internal controls are in place for cheque payments (e.g. reconciliation with cheque books, presence of security features, such as stamped "account payee only" and "not valid after", custody in a safe with restricted access); and,
- (c) Enhance the bank transfer letters with a WFP stamp or seal for further authentication while waiting for cheque books and ultimately the EPS to be introduced in the country; and,
- (d) Conduct a micro financial risk assessment and use its results to establish which bond issuers are suitable for WFP.

Due Date: (a), (b) and (c) 31 July 2015; (d) 31 October 2015.

Annex A – Definition of Audit Terms

1. WFP’s Internal Control Framework (ICF)

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

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

2. Risk categories

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

Table A.1: Categories of risk – based on COSO frameworks³ and the Standards of the Institute of Internal Auditors

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

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

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

1	People:	Effective staff learning and skill development – Engaged workforce supported by capable leaders promoting a culture of commitment, communication & accountability – Appropriately planned workforce – Effective talent acquisition and management.
2	Partnerships:	Strategic and operational partnerships fostered – Partnership objectives achieved – UN system coherence and effectiveness improved – Effective governance of WFP is facilitated.
3	Processes & Systems:	High quality programme design and timely approval – Cost efficient supply chain 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.

³ 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 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.

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

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.

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 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

ASEAN	Association of Southeast Asian Nations
BCA	Benefit Cash Account
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Cooperating Partner
EPR	Emergency Preparedness and Response
EPRP	Emergency Preparedness and Response Package
EPS	Electronic Payment System
FX	Foreign Exchange
LTI	Landside Transport Instruction
OCHA	Office for the Coordination of Humanitarian Affairs
PRRO	Protracted Relief and Recovery Operation
RFQ	Request for Quotation
RMFT	WFP’s Treasury and Financial Risk Management Service
RSB	Rice Soy Blend
SOP	Standard Operating Procedure
SP	Service Provider
WFP	World Food Programme