Internal Audit of WFP Operations in Lebanon

Office of the Inspector General
Internal Audit Report AR/15/17

WFP

World Food Programme

wfp.org

Contents

Internal Audit of WFP Operations in Lebanon

I. Executive Summary

Introduction

1.   As part of its annual work plan for 2015, the Office of Internal Audit conducted an audit of WFP Operations in Lebanon, focusing on the period 1 April 2014 to 31 July 2015. WFP's total expenditures in Lebanon in 2014 totalled USD 295.9 million, representing 6.27 percent of WFP's total expenditures for the year. The audit team conducted the in-country fieldwork, which included on-site visits to various locations in Lebanon and a review of related corporate processes that impact across WFP, from 12 to 23 October 2015.

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

Audit Conclusions

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

Table 1: Summary of conclusions by Internal Control Component

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

Key Results of the Audit

Positive practices and initiatives

4.   The audit noted some positive practices and initiatives. These included: detailed Standard Operating Procedures (SOP) developed on shop controls; well documented risk registers as a result of a good understanding of risks associated with Cooperating Partners (CPs), WFP staff, and banks; strengthening of Monitoring & Evaluation (M&E) capacity in the sub-offices; an extensive e-card validation exercise conducted in 2015 as a quality control measure; implementation of the e-voucher management platform; planning undertaken to develop a comprehensive strategy for the management of WFP-contracted supermarkets; and implementation of "Personal Development Plans" to identify and plan the development of staff skills.

Audit conclusion

5.   The review of WFP Operations in Lebanon highlighted strengths and opportunities. Within an overall context of effective delivery of operations, the review of the governance, risk management and internal control system identified certain challenges that resulted in audit observations. Areas identified by the audit as requiring attention included: the basic agreement with the Government of Lebanon the clarity of the Country Office's (CO) roles, responsibilities and accountabilities following dismantlement of the Regional Emergency Coordinator (REC) structure; staffing capacity; the e-card reconciliation process; e-card management and related internal controls; the process to expand the number of contracted retail shops; contractual agreements with CPs and related liabilities; and security.

Audit observations

6.   The audit report contains 11 medium-risk observations.

Actions agreed

7.   Management has agreed to take measures to address the reported observations and work is in progress to implement the 11 agreed actions.

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

David Johnson
Inspector General

II. Context and Scope

Lebanon

9.   Lebanon has an estimated population of 4.4 million and is classified as an upper middle income country. It demonstrated good progress against each of the 2014 Human Development Index (HDI) indicators and has an overall HDI score of 0.765 – in the high human development category – ranking 65th out of 187 countries and territories. It has also achieved significant improvements in the areas of health and gender including: reaching gender parity in enrolment at primary, middle and secondary school levels; reducing the maternal mortality rate; increasing the rate of births attended by health professionals; and expanding the use of birth control methods. Life expectancy at birth has increased to 72.8 years of age, the country has achieved a certain degree of success in meeting Millennium Development Goals.

10. As of June 2015, over 1.1 million Syrians in Lebanon were registered with United Nations High Commissioner for Refugees (UNHCR) representing the world's highest per capita concentration of refugees in any given country compared to its population. The massive influx of refugees has placed a significant strain on government resources and host communities. The World Bank has estimated that by the end of 2015, the Syrian conflict will have cut real Gross Domestic Product growth by 2.9 percentage points, resulting in significant costs in terms of wages, profits, taxes, private consumption and investment. It is estimated that one of the effects of the Syrian conflict will be to push approximately 170,000 Lebanese into poverty and double the unemployment rate in Lebanon to above 20 percent. As a result of the ongoing conflict in Syria and the rise of armed extremist groups, Lebanon has witnessed growing tensions in its territory.

WFP Operations in Lebanon

11.   Lebanon, which hosts 1.2 million refugees, has the world's highest per capita concentration of refugees compared to its population; one in four people in Lebanon is a Syrian refugee. WFP began its Syria response in Lebanon in June 2012 and currently operates through three offices. WFP provides food assistance to those that cannot meet their basic food needs through the Regional Emergency Operation (EMOP) 200433. E-cards are WFP's principal means of assistance to the Syrian refugees in Lebanon, accounting for over 97 percent of the monthly caseload. Each month, around 75 percent of UNHCR registered Syrian refugees receive individual rations which can be exchanged for food of their choice in any of the 410 contracted shops across the country. E-cards were adopted as the primary assistance modality as local markets are able to provide sufficient food for the host and refugee populations alike, eliminating the need to import significant quantities of food. At the peak of such activity, in 2014 and early 2015, WFP delivered food assistance to over 900,000 vulnerable Syrian refugees each month.

12. Lebanon's population has grown by around 25 percent as a result of the influx of Syrian refugees, placing a strain on host communities who are struggling to meet their own food needs. During 2015, WFP has been working with the Government, through the National Poverty Targeting Program, to strengthen the social safety net programme that provides food assistance to vulnerable Lebanese populations affected by the Syria crisis. Around 27,000 vulnerable Lebanese people received monthly food assistance through e-cards. Under the Regional Refugee and Resilience Plan 2015-2016, WFP is also working closely with the Food and Agriculture Organization and other partners to provide resilience and livelihood assistance to vulnerable host communities to help ease the strain.

13. The One card platform concept implemented in Lebanon is unique in WFP. The platform is used by WFP for the e-card programme, by a Lebanese cash consortium made of six Non-Governmental Organisations (NGOs) to provide cash assistance and by Government of Lebanon to assist vulnerable Lebanese. WFP is in negotiation with UNHCR and other potential partners (United Nations International Children's Emergency Fund) to join the One-card platform. The electronic card is effective in cost terms and efficient in delivering assistance and WFP's strategic vision in Lebanon is to be the humanitarian/development community's service provider of choice in relation to electronic cash-based transfer modalities. As of the date of this report, over 230,000 cards have been issued of which more than 160,000 are active. The platform offers the capacity to host 4 sub-accounts (wallets per card), 2 for cash and 2 for purchases.

14. Chronic lack of funding continues to pose a significant challenge to the continuation of WFP's operations in Lebanon. As a result of funding shortfalls, e-card credits fell from USD 19 per person per month in early 2015 to USD 13.5 in the 3rd quarter. In October, additional funding meant that WFP was able to increase monthly amounts credited to cards to USD 21.6 per person. While WFP plans to continue assisting refugees with monthly credits of USD 21.6 per person through January 2016, this amount is still below the originally proposed amount of USD 27.

Objective and scope of the audit

15. 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 Operations in Lebanon. Such audits are part of the process of providing an annual and overall assurance to the Executive Director on governance, risk management and internal control processes.

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

17. The scope of the audit covered WFP's operations in Lebanon from 1 April 2014 to 31 July 2015. Where necessary, transactions and events pertaining to other periods were reviewed. The audit field work, which took place between 12 and 23 October, included visits to various locations in Lebanon including Beirut and Zahle.

III. Results of the audit

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

Table 2: Positive practices and initiatives

1. Internal environment

- E-voucher management platform unique to WFP and One Card Platform used by UNHCR, the Government of Lebanon National Poverty Targeting Programme which is a body of the Government of Lebanon, and an NGO consortium.
- Organization/planning and execution for the recruitment of surge capacity staff.

2. Risk management

- Proactive risk identification, good understanding of risks associated with CPs, WFP staff, and banks.

3. Control activities

- Extensive e-card validation exercise conducted in 2015 as a quality control measure.
- Planning undertaken to develop a comprehensive strategy for the management of WFP-contracted supermarkets.
- Good practice control check on total sales to detect encashment identified by Zahle Sub office staff.
- Personal Development Plan implemented to identify and plan staff skill profiles.
- Weekly programme incidents report issued since June 2015, listing security incidents that may impact on programme activities.

4. Monitoring

- SOP developed on shop controls with guidelines for issuance of warning letters and terminations.
- Strengthening of M&E capacity in Sub-offices.
- Investigation of suspicious shops through contact with beneficiaries leading to termination of a number of shops in the past year.
- Systematic checks on prices, sales of non-food items etc.

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

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

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

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

21. The audit made 11 medium-risk observations, which are presented in Table 4 below.

Action agreed

22. Management has agreed to take measures to address the reported observations and 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: Medium-risk observations

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Internal Environment					
1 **Governance:** The basic agreement with the Government of Lebanon had not been signed at the time of the audit. Discussions were on-going with the Government of Lebanon with regard to the inclusion of certain clauses in the draft basic agreement. The CO had taken steps to follow-up with WFP Headquarters and the Government of Lebanon to get the basic agreement signed.	The CO will, in collaboration with the Headquarters Legal Division, continue to follow up with the Government of Lebanon to get the basic agreement signed.	Compliance Partnership Contextual	Compliance	Lebanon Country Office	31 December 2016
2 **Organisational structure:** Accountability and responsibility between CO, Regional Bureau (RB) and Amman Liaison Office (ALO). Following the dismantling of the REC structure, certain activities carried out by the REC for the CO were transferred either to the CO, or to the RB and ALO. It was noted, however, that there was no clear definition in terms of the related roles, responsibilities or accountabilities of the CO in respect of such matters, relating mainly to procurement, programme, resource mobilization, and compliance activities. As an example of this, it was noted that while it had been decided that the procurement Officer at ALO would spend 40 percent of his time in support of the procurement Officer of the Lebanon Country Office, no details existed regarding the tasks to be carried out.	The CO will: (a) Work with Regional Bureau Cairo (RBC) to identify/clarify the CO's areas of responsibility; (b) Work to build internal capacity in order to take over progressively those activities previously carried out by the REC/RB/ALO; and (c) Develop detailed roles and responsibilities for all newly transferred functions.	Compliance Accountability & Funding Institutional	Compliance	Lebanon Country Office	29 February 2016

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
3 **Organisational structure:** Capacity staffing of the Country - The CO is currently operating WFP's largest e-card Cash Based Transfer activity. In addition, its programme activities, in terms of its service provider role to CPs for cash transfers through the One Card platform, are unique. However, the audit noted that the CO's capacity to deliver on its objectives was not optimal. Twelve positions were vacant at the time of the audit, including those of Head of Programme and the VAM Officer position. Staffing gaps also existed in the support functions, including Procurement, and ICT. All nationals were on Service Contracts or Special Service Agreement contracts. While the Structure and Staffing Review (SSR) provided guidance to the CO, it did not capture its specific changing programmatic requirements and, as a result, CO management decided to review its staffing needs by early November.	The CO will: (a) Agree on the strategic direction for the Lebanon country office and related resource requirements, in consultation with the Market Access Programmes unit (OSZIC) at Headquarters and RBC; and (b) Review and update the results of the SSR in line with the current funding status and take steps to address key vacancies, taking into consideration the skills needed to monitor and manage specific projects.	Operational People Programmatic	Resources	Lebanon Country Office	31 March 2016
Control Activities					
4 **Finance and accounting:** Manual reconciliation process for e-card - Amounts credited to e-cards and unspent amounts are reconciled to details of beneficiary transactions from the point of sale (POS) data. The reconciliation process is manual and is performed using Excel spreadsheets. Given the high volume of transactions with more than 230,000 e-cards issued since the beginning of the e-cards activities, there is a risk of human error due to the manual process. The CO has planned to migrate its database to an SQL server environment.	The CO will: a) Strengthen the reconciliation process in the Finance area by aligning it with the more advanced tools used in the Programme area, while awaiting for the implementation of SCOPE; and b) Ensure that the planned migration applies also to reconciliation tools used by the Finance function to ensure harmonization and compatibility.	Operational Processes & Systems Institutional	Guidance	Lebanon Country Office	31 December 2016

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
5 **Programme Management:** Late release of voucher Purchase Orders (POs) - The CO did not create Cash for Beneficiaries Purchase Orders (POCB) on the basis of a monthly planned distribution plan, but rather on the basis of final distribution plans which were ready only a few days before e-card reloading date. As a result, the final release of POCBs took place after the reloading/distribution date, with Financial Service Providers debiting WFP owned accounts to reimburse retailers before the Assistant Executive Director could approve and release the POCB.	The CO will: (a) Comply with the Joint Directive Operations Services and Resource Management & Accountability Departments OS2013/003 RM2013/005. In particular, the CO will ensure that voucher POs (type POCB) for monthly cash transfers to beneficiaries are released by the appropriate authorities before the reloading/distribution date; and (b) Amend the current schedule in order to prepare the distribution plan (based on estimates) before the 20th of the month and create voucher POs (POCB) accordingly, to enable timely approval by Country Director and RB and subsequent release of POCB in WINGS by Senior Management.	Compliance Processes & Systems Institutional	Compliance	Lebanon Country Office	31 January 2016
6 **Programme Management:** e-card management and associated internal control principles – The first level of controls (including a range of manual activities such as approvals and authorizations, verifications, reconciliations and reviews of batches of changes/additions) were not performed and/or formalised by the CO e-card programme unit.	The CO will review the internal reloading process and will: (a) Identify the necessary first level of controls to be put in place by operational management as per internal control principles listed in internal guidelines. Such controls will address both audit trail and user management issues; and (b) Determine the appropriate sequencing of operations to validate batches of changes/modifications to initial lists of data imported; and (c) In coordination with RMT, review the capacity of SCOPE to allow sequencing and tracking/modifications. To the extent that such capacity does not exist, the CO will consider developing a more advanced data management system to meet its operational needs.	Compliance Processes & Systems Institutional	Guidance	Lebanon Country Office	31 December 2016

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
7 **Procurement:** Weaknesses in exercise to expand the number of contracted retail shops – The following weaknesses were noted in the Expression of Interest (EOI) process launched to increase the number of existing retail shops for specific areas in Beirut: the CO did not have adequate expertise to review procurement actions in sufficient detail; the modality used (which was Request for Proposal) to expand the list of contracted shops was inappropriate; the approach and the justification for important decisions were not documented or approved; there was no retail strategy; important decisions, including those relating to solicitation, were not approved by management; and the composition of the evaluation committee was inappropriate. There was a risk of not being able to contract appropriate retail shops, negatively affecting programme deliverables.	The CO will: (a) Address the lack of technical expertise in the area of engagement with retail shops; and (b) Continue to work with HQ to develop a comprehensive shop strategy once the micro retail assessment is completed. With regard to the current EOI exercise, the CO will: (c) Document the proposed methodology for this exercise, and ensure it is reviewed and approved as appropriate; (d) Determine the various criteria that should be met regarding matters such as accounting records, POS, cooling equipment, late applications, data protection ; and (e) Contact those shops which did not apply, in order to ascertain the reasons why, and offer them the opportunity to do so.	Operational Processes & Systems Institutional	Guidance and Guidelines	Lebanon Country Office	30 June 2016
	OSP, in conjunction with RBC, will: (f) Develop and communicate more comprehensive guidance to COs on the shop selection process, including templates for Request for Information; and (g) In collaboration with the Legal Office, review the current WFP General Terms and Conditions for the provision of goods and services to ensure they are appropriate for the purpose of contracting retail shops. Terms and conditions should include clarifications and examples on what constitutes fraudulent, corrupt and prohibited practices.			OSP	30 June 2016

	Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
8	**Human Resources:** Short-term national contracts **-** The CO was not able to recruit qualified personnel and retain talent as a result of the three-month Service Contract offered to nationals. Contract extensions were granted to all national staff every three months. At the time of the audit, contracts were being extended continuously.	The CO will, in consultation with RBC, and based on current funding forecasts, reassess the extent to which contract durations of at least six months are required.	Operational People Institutional	Resources	Lebanon Country Office	31 December 2016
9	**Partnership and Coordination:** Contractual agreements with CPs and related liabilities – The mechanism in place to review and approve proposals from CPs was not followed or respected on a timely basis, although the process was fully documented. During the first semester of 2015, delays ranging from 49 to 78 days were noted between the start date of activities and the signature of Field Level Agreements (FLAs) by CPs.	The CO will improve the timeliness of the review and approval of FLAs as well as the recording of the related liabilities in the corporate system.	Compliance Processes & Systems Institutional	Compliance	Lebanon Country Office	31 January 2016
10	**Security:** Country Office location not Minimum Operating Security Standards (MOSS) compliant: The current office location is not MOSS compliant. At the beginning of October 2015, a Security Officer from HQ visited the country to assess two potential new locations for the office in Beirut. A Facility Safety and Security Survey for the preferred location was carried out. A number of actions were still required to make the location MOSS compliant (fire detectors, emergency stairs, concrete wall, explosive detectors, screening, and procedures).	The CO will take action on an urgent and timely basis to carry out any necessary work to ensure that the selected location and building are MOSS compliant	Compliance Processes & Systems Institutional	Compliance	Lebanon Country Office	30 June 2016

Observation	Agreed action	Risk categories	Underlying cause category	Owner	Due date
Monitoring					
11 **Programme Monitoring and Evaluation:** Lack of corporate guidance on control checks on retail sales claims **-** As noted in OIGA's Internal Audit report AR/14/22 (Internal Audit of WFP Operations in Syria and Neighbouring Countries) as well as the CO's risk register, encashment by contracted shops either through middlemen or non-contracted shops continues to be a risk for the CO to manage, and corporate guidance in this area does not exist. At the CO level, shop controls to test the existence of sales and identify exceptions can be further improved. In the absence of corporate guidance, Zahle SO has implemented an effective on the spot batch total check on shop sales and detected encashment in two instances. In addition, an effective detective control for fake sales is the check of itemized sales receipts against stock records. Whilst not possible to implement in small and remote shops that have no such records, the control is a good candidate in the retail network of the Beirut SO given that 61 percent out its total of 114 contracted shops have full inventory systems in place.	The CO will: a) Establish a mechanism to identify effective controls to monitor shops and develop guidance in this area; and b) Replicate effective controls between the total sales receipts batch controls and checking sales receipts to inventory records across the network.	Operational Processes & Systems Programmatic	Guidance	Lebanon Country Office	31 January 2016

Annex A – Definition of Audit Terms

1. WFP's Internal Control Framework (ICF)

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

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

2. Risk categories

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

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

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

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

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

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

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

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

3. Causes or sources of audit observations

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

Table A.3: Categories of causes or sources

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

4. Risk categorisation of audit observations

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

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

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

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

5. Monitoring the implementation of agreed actions

A 8.   The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions is 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

---

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

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

Table A.5: Rating system

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

Annex B – Acronyms

ALO	Amman Liaison Office
CO	Country Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Cooperating Partner
EMOP	Emergency Operation
EOI	Expression of Interest
FLA	Field Level Agreement
HDI	Human Development Index
M&E	Monitoring and Evaluation
MOSS	Minimum Operating Security Standards
NGO	Non-Governmental Organisation
OSP	Procurement Division
OSZIC	Market Access Programmes unit
PO	Purchase Order
POCB	Purchase Order Cash for Beneficiaries
POS	Point of Sale
RB	Regional Bureau
RBC	Cairo Regional Bureau
REC	Regional Emergency Coordinator
RMT	Information Technology Division
SOP	Standard Operating Procedures
SSR	Structure and Staffing Review
UNHCR	United Nations High Commissioner for Refugees
WINGS	WFP Information Network and Global Systems
WFP	World Food Programme