

SAVING  
LIVES  
CHANGING  
LIVES

# Internal Audit of WFP Operations in Cambodia

Office of the Inspector General  
Internal Audit Report AR/21/12



World Food  
Programme

July 2021



## Contents

---

	Page
I. Executive Summary	3
II. Country context and audit scope	5
III. Results of the audit	7
Annex A – Agreed action plan	19
Annex B – Definitions of audit terms: ratings & priority	20
Annex C – Acronyms	22



## I. Executive Summary

### WFP Cambodia Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP's operations in Cambodia that focused on beneficiary management, cash-based transfers, monitoring, supply chain, and finance, covering the period from 1 January 2020 to 31 March 2021. The audit team conducted the fieldwork remotely because of COVID-19 restrictions. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.
2. Operations in Cambodia, as defined in the Country Strategic Plan 2019–2023, include a variety of interventions including school feeding through in-kind assistance (food for school feeding and take-home rations) and cash to schools; technical support and strengthening of government capacity, mainly on emergency preparedness and response; food security and nutrition; and to a lesser extent assistance to crisis-affected populations. Expenditures pertaining to the Country Strategic Plan for the period from 1 January to 31 December 2020 amounted to USD 10 million.
3. The audit focused on WFP's programme implementation under Strategic Outcome one "*Vulnerable communities in Cambodia have access to nutritious, safe, diverse, convenient, affordable and preferred foods by 2025*"; Strategic Outcome two "*Poor and vulnerable communities in Cambodia are more resilient to shocks and stresses in the food system by 2023*"; and Strategic Outcome three "*National and subnational institutions have strengthened capacities to mitigate risks and lead coordinated shock preparedness and response efforts by 2025*". These three outcomes represented almost 94 percent of the Country Strategic Plan expenditure in 2020.

### Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / some improvement needed**<sup>1</sup>. The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.

#### *Achievements and areas operating effectively*

5. The country office implements programmatic activities for which in some cases corporately defined models and guidance were not available or comprehensive; however, despite these corporate gaps the design and implementation of related processes and controls were found to be reasonable and effective. The country office consistently leveraged corporate mechanisms and regional oversight support, and externally sourced technical expertise to supplement its capacity in complex contracting and for assurance on its processes.
6. The development of a real-time impact and situation monitoring tool and the use of a common monitoring platform contributed to robust partnerships and knowledge sharing with key donors, national authorities, and non-governmental organisations.
7. The audit did not identify issues in finance processes that could have impacted the operational effectiveness of its key controls during the audit period, and corporate data quality indicators showed good results.

---

<sup>1</sup> See Annex B for definitions of audit terms.



### *Main areas for improvement*

8. Although Cambodia is a country prone to natural disasters the country office only included crisis response among its Country Strategic Plan objectives following a flood emergency in late 2020; a lengthy contracting process for financial services impaired the timely implementation of a cash-based transfer response to the emergency and the subsequent recovery phase.

9. Some of the issues identified by the audit were rooted in the absence of corporately defined business processes for school feeding activities and capacity strengthening. In particular, standard partnership agreement tools were not aligned with the specific needs of working with government partners; ownership of technical support and oversight was unclear; and ad-hoc mechanisms for partnership management were still at an early stage of implementation. The absence of corporately defined guidelines and tools led to gaps that limited evidence generation for advocacy and partnership management. The Office of Internal Audit has raised actions in respect of these corporate issues in previous reports<sup>2</sup>.

10. There were incomplete or insufficient assessments related to logistics and governmental partners' monitoring capacity, potentially impacting the operational effectiveness of process controls. Capacity needs assessments were yet to be finalised and validated with key partners to guide the country office in identifying activities and required personnel profiles to deliver on the Country Strategic Plan. There will be an opportunity with a mid-term review scheduled for late 2021 to finalise these assessments and realign staffing and structures.

11. The complaints and feedback mechanism was not adequately structured and functioning to enforce accountability to affected population objectives, and to gather information for decision making.

12. The audit report contains one high and five medium priority observations. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates.

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

---

<sup>2</sup> Proactive Integrity Review of School Feeding Programmes in WFP PIR-01-20; Internal Audit of Country Capacity Strengthening Activities AR-16-14.



## II. Country context and audit scope

### Cambodia

14. Cambodia has achieved remarkable economic growth in the last two decades. The poverty rate decreased from 47.8 percent in 2007 to 12.9 in 2018, and the Cambodian Government is committed to reaching upper-middle-income status by 2030. However, a significant portion of the population remains 'near poor' and still at high risk of falling back into poverty following a shock.

15. Undernutrition remains a public health concern: 32 percent of children under five years are stunted, 24 percent are underweight, and 10 percent wasted. Micronutrient deficiencies are widespread. Cambodia is highly vulnerable to natural disasters, with regular monsoon flooding in the Mekong and Tonle Sap basin and localised droughts in the plains. Limited access for the poor to education and health services and low levels of investment in public infrastructure further perpetuate food insecurity and undernutrition.

### WFP operations in Cambodia

16. WFP has been present in Cambodia since 1979. The Country Strategic Plan (CSP) 2019–2023 positions WFP as a partner to the Government in addressing major cross-cutting concerns in social protection, food security/nutrition and emergency preparedness/response. WFP has progressively shifted from relief and recovery programming to development assistance, supporting the country towards achieving Sustainable Development Goals 2 on zero hunger and 17 on partnerships for sustainable development.

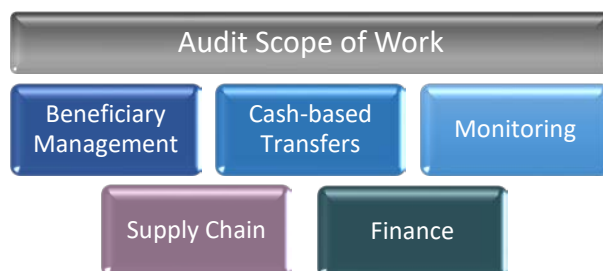
17. Three revisions approved in January, September, and October 2020 increased the CSP budget, accommodated unanticipated contributions, reflected changes linked to COVID-19, and introduced a new strategic objective (number six) for crisis response. A fourth budget revision was approved after the audit period in May 2021 to accommodate additional resources received or expected from donors to the CSP. The revisions increased the needs-based plan budget to a total of USD 80.34 million.

### Objective and scope of the audit

18. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to WFP operations in Cambodia. 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.

19. The Office of Internal Audit (OIGA) developed a new audit approach for 2021 to adapt to COVID-19 constraints, while increasing its audit coverage of country operations and providing assurance on five key areas of the end-to-end country office (CO) delivery process. In this audit, the five functional areas of focus were:

- Beneficiary management.
- Cash-based transfers (CBT).
- Supply chain (covering procurement, logistics and commodity management processes).
- Finance.
- Monitoring.





20. Related to the CO's CSP for 2019–2023, the audit focused on programme implementation under:

- Strategic Outcome (SO) 1 "Vulnerable communities in Cambodia have access to nutritious, safe, diverse, convenient, affordable and preferred foods by 2025"; and Activity 1 "Provide implementation support and technical assistance, including support for evidence-based policy and programme development, to national and subnational public and private sector actors engaged in social safety nets, particularly home-grown school feeding".
- SO 2 "Poor and vulnerable communities in Cambodia are more resilient to shocks and stresses in the food system by 2023" and Activity 2 "Provide implementation support and technical assistance to national and subnational public and private sector actors engaged in food production and transformation".
- SO 3 "National and subnational institutions have strengthened capacities to mitigate risks and lead coordinated shock preparedness and response efforts by 2025", and Activity 3 "Provide technical support and backstopping to national stakeholders engaged in shock preparedness and response mechanisms and risk informed coordination".

21. The outcomes above represented almost 94 percent of total CO expenditure in 2020.

22. OIGA tested essential controls outlined for each of the pre-determined five areas in scope. The essential controls build on existing procedures and manuals; and where appropriate have been discussed and validated with respective business units. Minimum controls as defined by the Management Assurance Project conducted by WFP's Enterprise Risk Management Division at the end of 2020 were considered and included when relevant.

23. OIGA supplemented this pre-determined scope with a CO risk assessment to identify any additional processes that should be in scope for the audit. In this context the audit assessed the key controls to be reviewed and made necessary adjustments to enable verification of the extent to which the risks and control objectives of each process, and particularly the beneficiary management and cash-based transfers processes, were mitigated in the CO operational set-up.

24. Reliance was placed on second line assurance work where relevant, to minimise duplication of efforts.



## III. Results of the audit

### Audit work and conclusions

25. The six observations arising from the audit are presented below, grouped into sections corresponding to the five functional areas covered by the audit (see paragraph 19) plus an initial section to capture cross-cutting issues. For each of the functional areas a simplified standard process diagram is included which indicates the key control areas reviewed by the audit and, where exceptions or weaknesses were noted, the audit observations to which they relate and their respective priority ratings (red for high and yellow for medium priority observations). Any other issues arising from the audit which were assessed as low priority were discussed with the CO directly and are not reflected in the report nor indicated in the diagrams.

26. Risks identified by the audit in the areas reviewed were mainly rooted in a lack of corporately defined business processes for various aspects of school feeding activities and monitoring; agreed actions to mitigate risks in these areas, previously raised by OIGA and addressed at a corporate level<sup>3</sup>, were either not yet or had only recently been implemented at the date of this report. At the CO level insufficient preparedness and mechanisms for implementing CBT during rapid on-set emergencies, including delays in contracting a financial service provider, were also primary underlying causes of issues identified.

### Cross-cutting

#### Observation 1: Organisational structure and staffing

##### *Identification of required skills*

27. The CO prepared preliminary Capacity Needs Mappings (CNMs) to guide its Country Capacity Strengthening (CCS) activities but had yet to finalise the process and validate the CNMs with its partners (*refer to Observation 2*). However, in the context of WFP's corporate approach to CCS, the CNMs are a key element to feed into the CO's process to identify required staff profiles and to assess its capacity to deliver on the CSP.

##### *Organisational set-up*

28. The CO carried out an organisational realignment exercise for the CSP and had started acting upon its recommendations at the time of the audit. The recommended changes included the split of the Supply Chain (SC) Unit and the reallocation of some logistics activities to procurement. However, this change had not yet translated into clear ownership of tasks, nor had it triggered personnel training. In March 2021, the Regional Bureau for Asia and the Pacific (RBB) had highlighted inherent conflict of interest risks in the new SC set-up, recommending that the CO assess and mitigate these, clarify the SC unit's role within CCS activities and Home Grown School Feeding (HGSF), and determine how to source required profiles. At the time of the audit the CO had yet to allocate ownership and define a roadmap to implement some of RBB's recommendations, however it had started sourcing additional SC expertise for capacity-strengthening via agreements with other organisations.

29. There was a concentration of tasks on single staff members throughout the school feeding process, from planning to reporting, including for cash to schools. The organisational set-up and reporting lines of the Vulnerability Analysis and Mapping and Monitoring Units contributed to monitoring with a primary focus on school feeding activities and risked impairing the monitoring function's independence. Programme and monitoring roles were assigned to the same staff at the field office level, which had been highlighted by RBB

<sup>3</sup> Proactive Integrity Review of School Feeding Programmes in WFP PIR-01-20; Internal Audit of Country Capacity Strengthening Activities AR-16-14.



in February 2021, resulting in competing priorities and deprioritisation of monitoring. Recruitments efforts by the CO to address these issues were ongoing at the time of the audit.

Underlying cause(s): Organisational chart not fully aligned to headquarters standards; organisational standards for country offices no longer recommending a structure based on SOs since June 2020; organisational alignment exercise started at an early stage of the CSP and the subsequent organisational chart reviews may not reflect current skills needs following changes in context, activities and priorities; limited staff capacity; RBB mission finalized early 2021 and structured follow-up not in place to identify actions, owners, and deadlines, reflecting the reallocation of logistic tasks.

**Proposed Agreed Actions** [Medium priority]

The CO will:

- i) Reassess the need for additional capacity and skills required to implement the current objectives of the revised CSP. (*Refer also to Observation 5: Monitoring*)
- ii) Define actions, timelines and ownership to respond to the March 2021 RBB SC mission, including to properly assess and adopt risk mitigation measures, and finalise the organisational chart.
- iii) Formally clarify ownership of logistic tasks and ensure proper training following the reallocation of tendering and contracting activities.

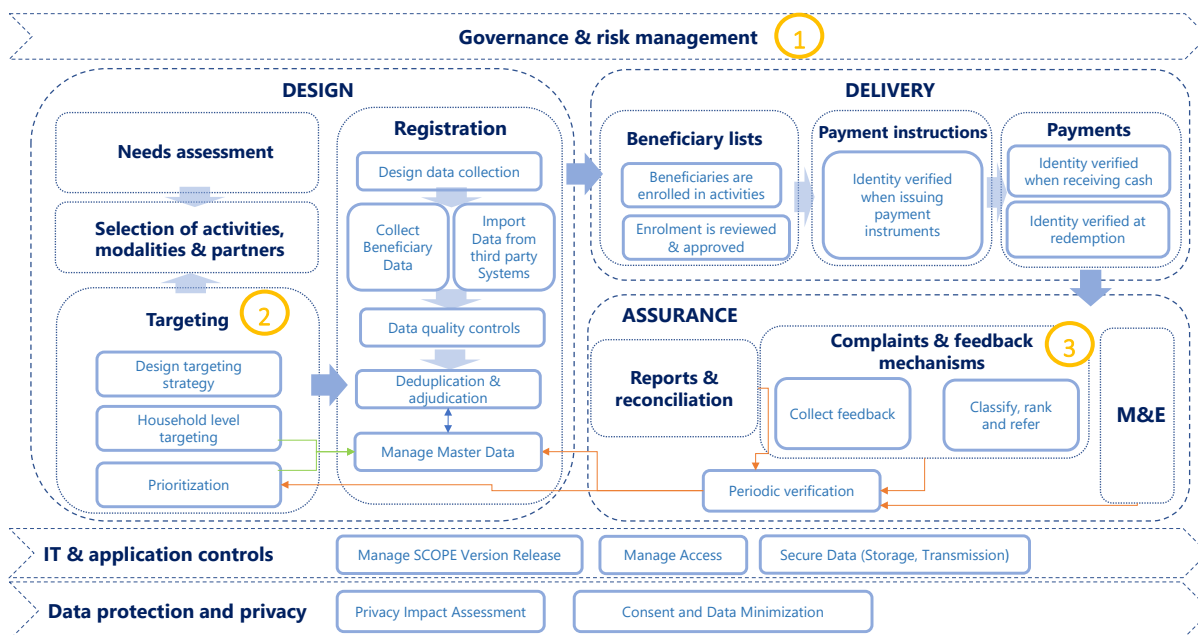
**Timeline for implementation**

31 December 2021





## Beneficiary Management



### Observation 2: Finalisation of CNMs to support CCS activities

30. WFP’s corporate approach to CCS and its associated toolkit outline the various steps and milestones recommended when engaging in such activities. A key milestone refers to the validation of demand and baselines, which informs the intervention design, and consists mainly of the formulation of the CNM. Building on the established theory of change, the CNM is intended to facilitate multi-stakeholder and multi-partner dialogue along five pathways to systematically highlight existing capacity assets, gaps, stakeholder priorities and desired actions.

31. The CO had prepared initial CNMs for various CCS activities but had yet to finalise and validate these with its key partners. In the absence of finalised and validated CNMs, there was a risk of misalignment between CCS activities and partners’ needs. The CO indicated that regular engagement with partners, including through annual joint review and planning, mitigated the risk of misalignment. Delays in validating and finalizing the CNMs however could lead to inadequate intervention design, alignment with partners and consideration of needs. The CSP mid-term review scheduled for late 2021 will provide an opportunity to resume the assessments and ensure alignment.

Underlying cause(s): Delayed finalisation and validation of CNMs caused by the COVID-19 pandemic; potential risks arising from CNM finalisation delays not assessed.

**Proposed Agreed Actions** [Medium priority]

The CO will develop mitigations to address the risks arising from the potential misalignment of activities to partners’ priorities, including the finalisation and validation of the CNMs with government entities, and allocate responsibilities and timelines for their implementation.

**Timeline for implementation**  
31 December 2021

**Observation 3: Complaints and feedback mechanism (CFM)**

32. The CO did not have an adequate and functioning CFM. The existing system and standard operating procedures (SOPs) were only implemented to cover the school feeding activities. These were outdated and did not provide sufficient channels for beneficiaries of all relevant activities (including the planned CBT activity under the crisis response objective) to raise concerns and provide feedback. According to the CO's records, only 13 complaints were lodged between 2016 and 2021, with only one in 2020.

33. The minimum requirements for a functional CFM respond to the overarching principle of providing two-way communication avenues for: i) communities to formally express concerns, lodge complaints, ask questions, and provide feedback on WFP programmes; and ii) WFP to close the loop on feedback and complaints and achieve a high first-case resolution. In addition, COs are expected to adapt the corporate CFM guidelines to their specific country context in consultation with stakeholders, avoid duplication of efforts, and ensure sustainability.

34. Although the CO indicated that feedback may be collected directly from beneficiaries during monitoring, the lack of an adequate CFM may diminish effective CO accountability to its beneficiaries, reduce the opportunity to gather feedback and information for programmatic decision-making and risk mitigation, and reduce the CO's opportunities to take early action on issues that may need addressing.

Underlying cause(s): Revision and update of the CO's CFM not prioritised due to competing priorities; lack of specific articulation of corporate guidance on CFM to SF activities; limited staffing capacity in the CO to focus on management of the CFM.

**Proposed Agreed Actions** [Medium priority]

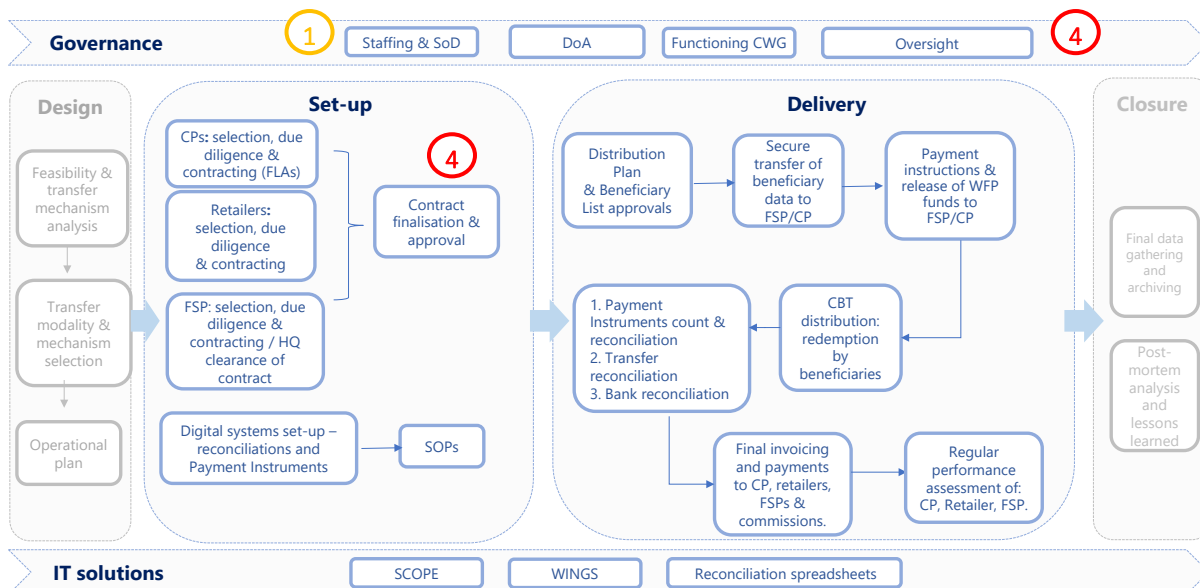
The CO, with support from RBB and/or headquarters units as relevant, will design and implement a comprehensive CFM that responds to the needs of the beneficiaries of the various CSP activities, considering the need to agree on the appropriate mechanisms with beneficiaries, government partners, and other stakeholders in the context of a planned transition/handover of activities.

**Timeline for implementation**

31 December 2021



## Cash Based Transfers



### Observation 4: Implementation of cash-based modalities

#### Cash to schools

35. The lack of a corporate model for cash to schools activities, including aspects of required partner assessments and reconciliations, has been raised in a previous OIGA report<sup>4</sup> issued in May 2020; at the time of this audit an agreed action to develop guidelines on the management of cash transferred to governmental agencies in the context of school feeding activities had not yet been implemented as the timeline for implementation was not yet due. Furthermore, ‘cash to schools’ activities were not within the scope of some of WFP’s technical support and oversight functions; at the CO level, the activity was not in the scope of the CBT Working Group.

36. In the absence of detailed guidelines, the CO had planned some mitigating actions to address the risks of fraud and corruption associated with cash transfers to schools through government entities. These included a task force to review the mechanisms to channel funds to the government and other mitigation measures. In addition, the CO informed the audit that it was preparing SOPs on reporting and spot-checks and general cooperating partnership management. These mitigations were still at an early stage of implementation at the time of the audit reporting.

#### Selection of a financial service provider (FSP) for CBT emergency operation

37. There were delays in contracting an FSP to implement emergency response assistance in response to floods that affected part of the country in October 2020. The contract with the FSP had yet to be finalised, resulting in distribution delays which still persisted in May 2021, at the time of the audit. There is a risk of further delays in implementing CBT interventions for possible future emergencies if robust emergency preparedness actions are not defined, and if processes, agreements and contracts are not planned to ensure timely implementation can be achieved.

Underlying cause(s): Lack of a corporate model and operational framework for cash to schools; crisis response not in the original CSP (added in October 2020 with limited CBT capacity); misalignment between the timeline for the finalisation of the FSP contract and expected corporate requirements; lack of flexible and

<sup>4</sup> Proactive Integrity Review of School Feeding Programmes in WFP PIR-01-20



quick corporate CBT solutions to respond to sudden-onset emergencies; limited in-country CBT expertise; the need to define process and controls and finalise the SOPs for operating with the FSP as part of the contract.

**Proposed Agreed Actions** [High priority]

The CO will:

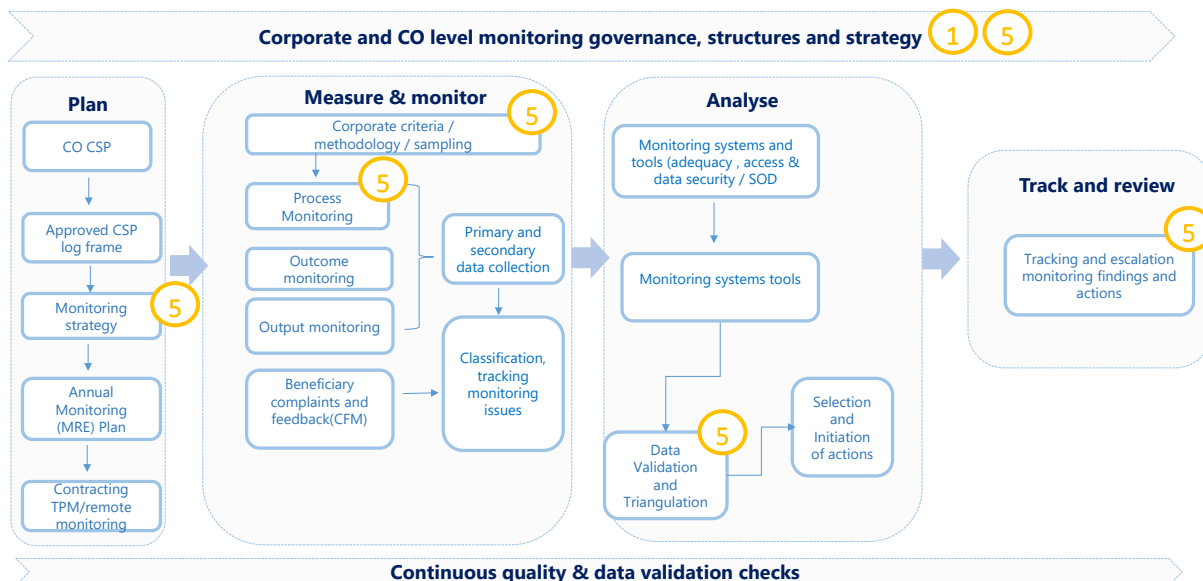
- i) In coordination with RBB, formalise the terms of reference and define the deliverables and allocation of responsibilities of the task force.
- ii) Finalise and implement the SOPs on cooperating partners management.
- iii) Finalise the FSP agreement and implement the CBT modality to deliver the planned emergency assistance once relevant HQ units have cleared the necessary documents. Following the finalisation of the contract, reassess completeness of preparedness actions for CBT implementation in future emergencies, and in collaboration with RBB and headquarters Units as relevant, carry out a lessons learned exercise of the CO's FSP sourcing and contracting process to assess opportunities for leaner modalities and quick set up in a future rapid on-set emergency context.

**Timeline for implementation**

31 December 2021



## Monitoring



### Observation 5: Monitoring governance, strategy, roles and responsibilities

38. In February 2021, RBB carried out a remote oversight mission and verified compliance with corporate monitoring standards and requirements, rating the CO’s monitoring systems and practices as adequate to strong.

39. In addition to identifying some good monitoring processes the RBB mission noted several areas for improvement. These related mainly to evidence generation (particularly for CCS activities) and orientation of monitoring activities and staffing (skillsets, capacity and structure) to allow coverage of all strategic outcomes and consideration of the new challenges from the gradual shift to HGSF. At the time of the audit, the CO was establishing a framework to track the implementation of RBB recommendations and appointed a consultant to help address them.

#### Monitoring governance

40. CO monitoring focused on school feeding without the theory of change for CCS Activities, CNM, related indicators and monitoring practices defined and included in the Monitoring, Review and Evaluation plan. In addition, the CSP and log-frame referred to only one outcome indicator for CCS. While aligned with corporate minimum requirements, this limited the CO’s capacity to demonstrate achievements for these activities.

41. Despite appropriate identification of fraud-related risks in the CO’s latest assurance statement and risk register, there was limited implementation of mitigating actions. The increasing transfer of funds to the government as part of the CCS strategy, and the shift to the ‘cash to schools’ modality, with the HGSF programme being almost 50 percent of SO1’s transfer value, contributed to heightened fraud risks. The implementation of CBT activities (for example in response to emergencies, see Observation 4) will also require expanding the scale and scope of monitoring activities based on identified risks.

42. The CO was yet to develop and implement a monitoring and oversight framework to obtain assurance from sub-national authorities and schools on the use of funds for the HGSF programme, despite the need for an accountability system having been acknowledged in the Country Strategic Plan (2019) and



compensating controls identified in the 2021 Risk Register. The field level agreement template for HGSF was not framed to regulate aspects relevant to this type of activities and partnerships.

43. RBB recommended in early 2021 that the CO assess the national government's capacity to monitor the school feeding programme. This assessment will be carried out as part of capacity strengthening activities, enabling a detailed review of existing gaps emerging risks and mitigating measures related to the cash to school modality. The CO had yet to establish a timeline for implementation.

44. To manage these risks, the CO was establishing a task force, identifying a focal point to help implement the RBB recommendation on capacity assessment, and coordinating with RBB regarding best practices in these areas from other COs. *Refer to Observation 4.*

#### *Roles, responsibilities and capacity*

45. Monitoring skills were insufficient to address the previously noted challenges and respond to organisational set-up issues reported in Observation 1. Moreover, the CO was yet to establish external partnerships to ensure flexible data collection capacity and help with CO's emergency preparedness level, as recommended by the RBB.

Underlying cause(s): Limited and untimely corporate guidance for CCS monitoring in the audit period; workload and stringent donor-specific monitoring compliance requirements for school feeding lack of a monitoring strategy and monitoring skills gap; lack of a corporate model and operational framework for cash to schools.

#### **Proposed Agreed Actions** [Medium priority]

The CO will:

- i) Develop a monitoring strategy.
- ii) Carry out a skills gap analysis and ensure alignment of skillsets with the new scope of activities identified in the strategy.
- iii) Finalise the mechanism for tracking implementation of actions raised by RBB, including formal allocation of ownership and deadlines.

#### **Timeline for implementation**

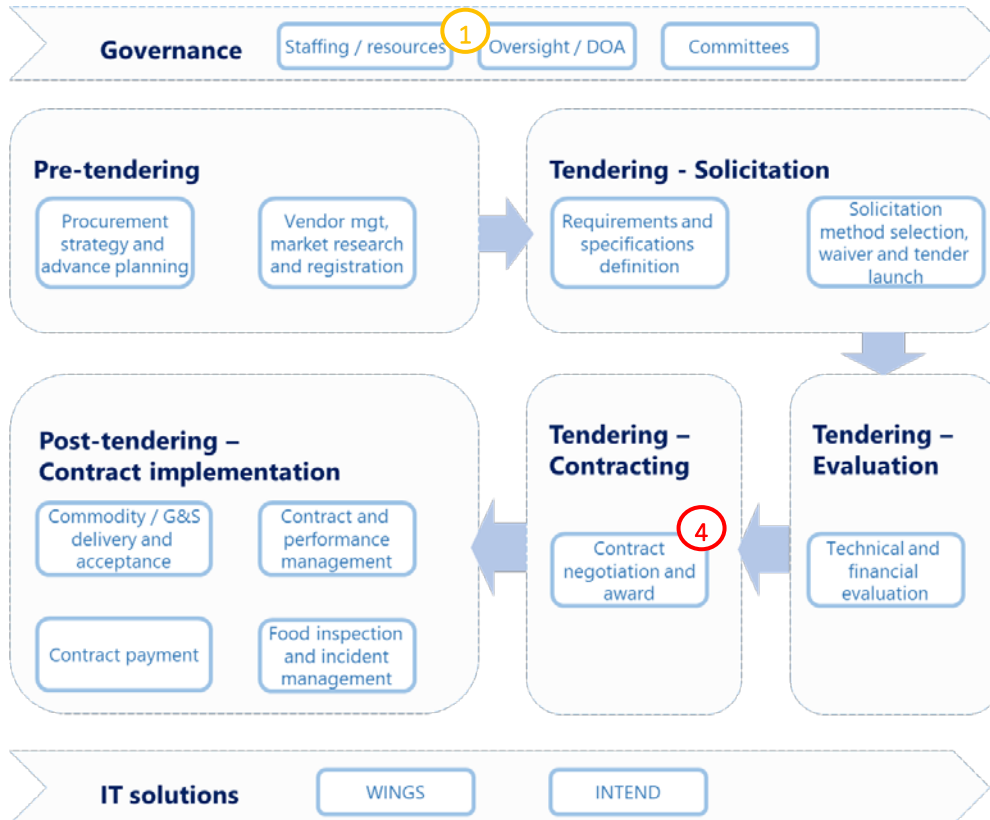
31 December 2021



## Supply Chain

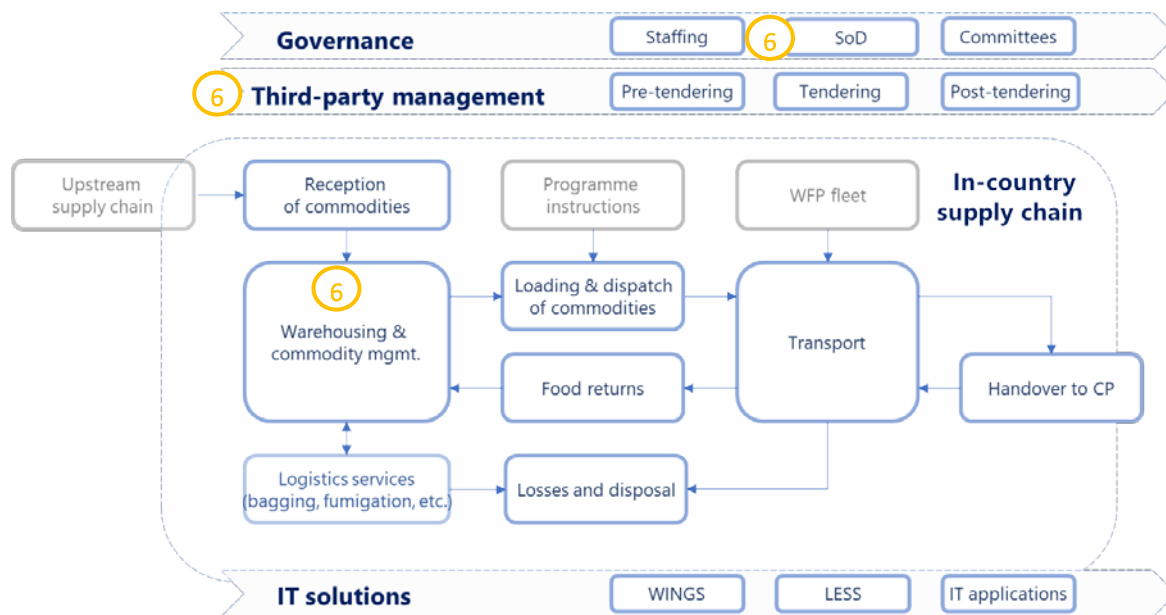
### Procurement

46. The areas reviewed by the audit are illustrated in the schematic diagram below. Reportable findings related to this area are raised in the cross-cutting and CBT sections.





**Logistics and commodity management**



**Observation 6: Logistics and warehouse assessments**

47. A review of key logistics and warehousing processes and management decisions indicated shortcomings in the assessments supporting sourcing and decision making.

*Logistics*

48. The CO had not prepared a logistics plan or carried out a logistics service market assessment, including ascertaining costs of transport and services. Tender results reviewed during the audit period showed a general increase in transport rates in 2020, while in 2021 there was a combination of large increases and decreases. The CO indicated that the largest increases related to routes recently contracted for service provision, recognising these may not be fit for purpose. The latest Logistics Capacity Assessment update was carried out in 2017, and was being reviewed at the time of the audit.

49. The Local Transport Committee (LTC) composition, last updated in 2019, did not reflect subsequent changes in staff, and contained members with reporting lines which could potentially lead to conflict of interest.

50. The CO conducted a vendor scouting exercise during the audit period, which resulted in the addition of one new vendor. There were gaps in the due diligence to assess the vendor’s operational and financial capacity, detect risks, and design adequate mitigating measures to prevent poor performances and losses.

51. An RBB mission identified gaps in the transparency of transporters’ performance evaluations. The CO detected instances of attempted fraud by drivers of non-material value. The CO’s logistics Unit investigated and reported these in performance evaluations but did not report them to the LTC or the Office of Inspections and Investigations.

*Warehouse Management*

52. The CO had not carried out a warehouse storage capacity assessment to optimise the utilisation of its facilities. As of February 2021, utilisation was 29 percent of the total space available. Projections up to July 2021, prepared by the Logistics Unit, indicated more than 4,000 square meters of free space, part of which





intended for use on service provision to other UN agencies. Lease agreements had been extended at the start of the CSP to cover its entire duration.

Underlying cause(s): CO logistics volumes reduction over the years and activities set-up (transhipment); COVID-19 restrictions; staffing constraints and de-prioritisation of logistics tasks.

**Proposed Agreed Actions** [Medium priority]

The CO will:

- i) Prepare a logistics plan, conduct a local logistics market assessment and update the logistics capacity assessment.
- ii) Following the finalisation of organigramme, update the LTC composition.
- iii) Reassess the recently added vendor questionnaire, finalise the due diligence exercise, obtain support from CO finance staff to assess transporters' financial capacity, collect more insights on subcontractors, and submit results to the LTC.
- iv) Implement a procedure to present performance issues and assessments to the LTC, and reinforce the need to escalate information to management and the Office of Inspections and Investigations.
- v) Establish a process to periodically assess the CO's storage needs, considering activity requirements, emergency preparedness, and expected service provision, leveraging regular input from the programme Unit.

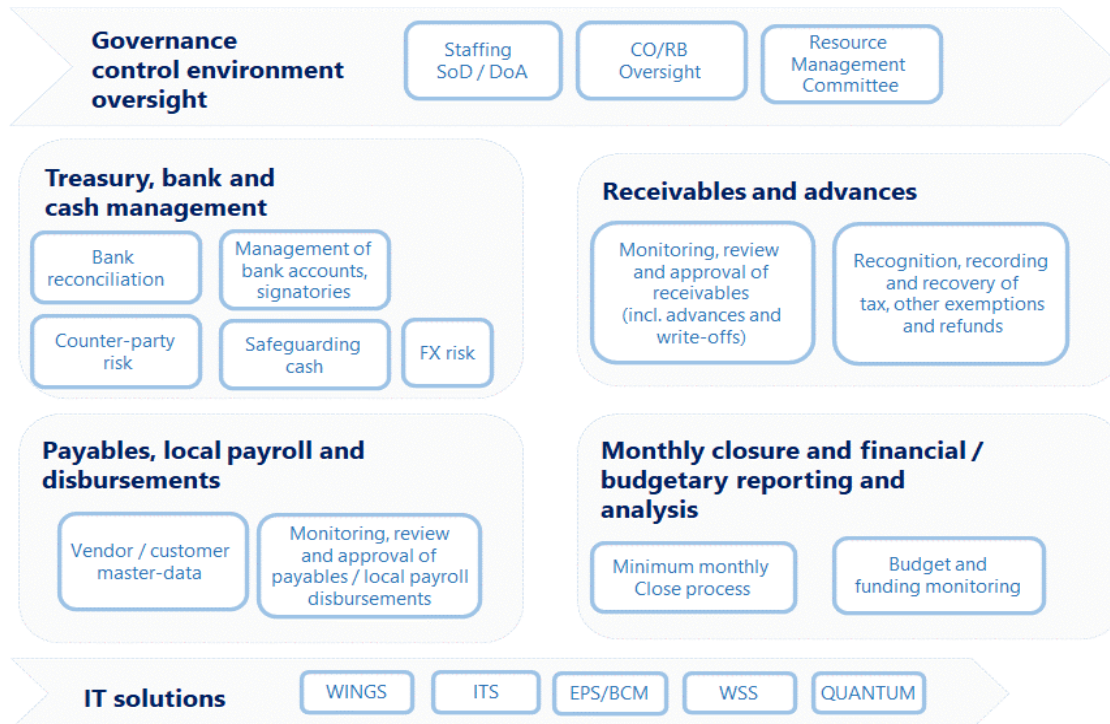
**Timeline for implementation**

31 December 2021



## Finance

53. There were no reportable findings in the areas reviewed by the audit related to Finance, as illustrated in the schematic diagram below (see paragraph 26 for more details). In general, these controls were found to be operating effectively.





## Annex A – Agreed action plan

The following table shows the categorisation, ownership and due date agreed with the auditee for all the audit observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

The agreed action plan is primarily at the CO level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Organizational structure and staffing	Cross-cutting	CO	Medium	31 December 2021
2	Finalisation of CNMs to support CCS activities	Beneficiary management	CO	Medium	31 December 2021
3	Complaints and feedback mechanism (CFM)	Beneficiary management	CO	Medium	31 December 2021
4	Implementation of cash-based modalities	Cash-based transfers	CO	High	31 December 2021
5	Monitoring governance, strategy, roles and responsibilities	Monitoring	CO	Medium	31 December 2021
6	Logistics and warehouse assessments	Supply chain	CO	Medium	31 December 2021

## Annex B – Definitions of audit terms: ratings & priority

### 1 Rating system

The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonised audit rating definitions, as described below:

**Table B.1: Rating system**

Rating	Definition
Effective / satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well, to provide reasonable assurance that issues identified by the audit were unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory / some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
Partially satisfactory / major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated.

### 2 Priority of agreed actions

Audit observations are categorised according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

**Table B.2: Priority of agreed actions**

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organisation or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.<sup>5</sup>

<sup>5</sup> An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.



### 3 Monitoring the implementation of agreed actions

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 actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

OIGA monitors agreed actions from the date of the issuance of the report with regular reporting to senior management, the Audit Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, OIGA will issue a memorandum to Management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, OIGA continues to ensure that the office in charge of the supervision of the Unit who owns the actions is informed. Transparency on accepting the risk is essential and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. OIGA informs senior management, the Audit Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



## Annex C – Acronyms

CBT	Cash-Based Transfer
CCS	Country Capacity Strengthening
CFM	Complaints and Feedback Mechanism
CNM	Capacity Needs Mapping
CO	Country Office
CSP	Country Strategic Plan
FSP	Financial Service Provider
HGSF	Home Grown School feeding
LTC	Local Transport Committee
OIGA	Office of Internal Audit
RBB	Regional Bureau for Asia and the Pacific
SC	Supply Chain
SO	Strategic Outcome
SOP	Standard Operating Procedure
USD	United States Dollar
WFP	World Food Programme