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# Internal Audit of WFP Operations in Afghanistan

Office of the Inspector General  
Internal Audit Report AR/22/05



World Food  
Programme

March 2022



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# Internal Audit of WFP's operations in Afghanistan

## I. Executive Summary

### WFP Afghanistan Country Office

1. At the time of development of the 2018-2022 Country Strategic Plan (CSP), Afghanistan ranked 169<sup>th</sup> of 188 countries in the Human Development Index. It had low levels of economic growth, high unemployment rates and over 54 percent of the population living below the poverty line. Years of conflict and widespread insecurity had exacerbated social, ethnic and cultural divisions, further contributing to instability.
2. 2021, the year that the audit was conducted, saw a drastic change in the needs and conditions of implementation of WFP's assistance. In August 2021, United States troops completed their withdrawal from Afghanistan after around 20 years of presence in the country. This was rapidly followed by a change in government, which to date has no international recognition and which has been subject to wide ranging economic and financial sanctions. Humanitarian needs have since dramatically increased at an unprecedented rate. WFP declared a Level 3 emergency on 30 September 2021.
3. While total expenses on operations in Afghanistan during 2020 amounted to approximately USD 172 million, they increased to USD 390.3 million in 2021. The latest revision of the Country Strategic Plan expects a further increase, from the USD 1.6 billion to USD 6 billion over the 2018-2022 period. Programmatically, it provides for enhanced crisis response following shocks, including drought and the COVID-19 pandemic; and aims for delivery of a robust food and nutrition crisis safety net for populations facing acute food insecurity, while protecting livelihoods and gains made in education.

### Scope of the audit

4. The Office of Internal Audit conducted an audit of WFP's operations in Afghanistan focusing on the period from 1 July to 31 December 2020, except for Finance where the nine-month period from July 2020 to March 2021 was covered. Audit work was carried out remotely from March to May 2021, prior to the declaration of a Level 3 emergency in Afghanistan on 30 September 2021.
5. Focus was on:
  - beneficiary management;
  - cash-based transfers;
  - monitoring;
  - supply chain; and
  - finance.



### *Audit limitations*

6. A second phase of the audit was originally planned to cover the first half of 2021, with audit work and testing in November 2021 to complement interim audit work completed earlier in the year. The field mission could not be carried out due to the evolving situation in Afghanistan from August 2021 and related constraints. The extent of work that could be completed remotely on **Monitoring** and **Cash-based Transfers** did not permit conclusions to be reached in these areas; nevertheless, reportable issues identified from the limited testing and assessment carried out were not extensive.



## Audit rating and conclusion

7. Given the constraints described above and consequent limitations, it was not possible to arrive at an overall rating for the audit report on the basis of the work carried out.

8. Agreed actions relating to the observations included in the report have nevertheless been assigned individual priority ratings. With all findings identified rated as medium or low priority, there seems to be a solid basis for the expansion of WFP operations in Afghanistan. A definite position thereon will require further confirmation, with in-person testing of the monitoring and cash-based transfer frameworks and controls at a later stage.

### *What is working well*

9. **Supply Chain and Finance:** Based upon the remote testing completed, in general, controls in these areas were found to be operating effectively. Some minor exceptions and/or suggestions for improvement were identified, aimed at strengthening or tightening existing processes and controls rather than addressing substantial gaps.

10. **Beneficiary management:** The Country Office used the WFP corporate SCOPE registration applications for approximately 80 percent of beneficiaries, and to store beneficiary data in the majority of cases. Although some actions aimed at improving the use of SCOPE and strengthening data management have been raised, the audit did not observe in the period under review evidence of significant duplications of beneficiary data, nor of any duplicated benefit transfers.

11. **Monitoring and CBT:** The extent of work completed at the interim audit stage did not permit conclusions to be reached in these areas; nevertheless, reportable issues identified from the limited testing and assessment carried out were not extensive.

### *Areas for improvement*

12. 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.

13. Constraints imposed by both the security situation in the country and by the COVID-19 pandemic are underlying causes for several observations.

14. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates. An update on their implementation from the date of the remote work and that of the issuance of the report is included.

## THANK YOU!

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



## II. Country context and audit scope

### *WFP operations in Afghanistan*

16. At the time of development of the 2018-2022 Country Strategic Plan (CSP), Afghanistan ranked 169<sup>th</sup> of 188 countries in the Human Development Index. It had low levels of economic growth, high unemployment rates and over 54 percent of the population living below the poverty line. Years of conflict and widespread insecurity had exacerbated social, ethnic and cultural divisions, further contributing to instability.

17. In August 2021, United States troops completed their withdrawal from Afghanistan after around 20 years of presence in the country, which was rapidly followed by a change in government. To date, the latter has no international recognition and has been subject to wide ranging economic and financial sanctions. Humanitarian needs have since dramatically increased at an unprecedented rate.

18. WFP declared a Level 3 emergency on 30 September 2021 and a budget revision was approved, which planned to reach 22m Afghans in 2022. There was a quick deployment of additional WFP staff and resource mobilization in order to support the provision of assistance to a higher number of vulnerable people affected by this very quick change of the political and economic situation. As a result, WFP Afghanistan now reaches more than 12 million Afghans each month (from a total country population of approximately 40 million). The audit work described in this report took place before the emergency was declared.

### *Objective and scope of the audit*

19. 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 Afghanistan. Such audits are part of the process of providing an annual assurance statement to the Executive Director on governance, risk-management and internal control processes. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

20. OIGA introduced a new audit approach for 2021, to adapt to COVID-19 constraints while increasing audit coverage of country operations and providing assurance on five key areas of the end-to-end CO delivery process. The five functional areas for audit focus are the following:

- i. Supply chain (encompassing procurement plus logistics and commodity management processes)
- ii. Finance
- iii. Beneficiary management
- iv. Monitoring
- v. Cash-based Transfers (CBT)



21. The scope of work for the audit was agreed in a terms of reference note discussed and finalised with the CO on 30 March 2021, and entailed:

- For all five functional areas – advance planning and risk assessment involving *inter alia* interviews, process walkthroughs, reviews of documentation, and data analytics and sample testing, where applicable.
- For selected functional areas (see the diagram below) – detailed testing covering the period July to December 2020; in the case of Finance, testing covering the period July 2020 to March 2021.

22. The second phase of the audit was originally planned to cover the first half of 2021, with audit work and testing in November 2021 to complement interim audit work completed earlier in the year. The field mission could not be carried out due to the evolving situation in Afghanistan from August 2021 and related constraints. This resulted in limitations to the scope of the audit and assurance that it may provide, especially in the areas of monitoring and CBT.

23. The table below shows the extent of coverage and tests that could be achieved in the areas within the audit scope.

Functional Area	Scope	Audit coverage
1. Supply Chain:		
1.1. Procurement		Extensive planning and risk assessment + testing
1.2. Logistics		Extensive planning and risk assessment + testing where possible remotely
1.3 Commodity Management		Extensive planning and risk assessment + testing where possible remotely
2. Finance		Extensive planning and risk assessment + testing
3. Beneficiary Management		Extensive planning and risk assessment + systems testing
4. Monitoring		Extensive planning and risk assessment + systems testing
5. CBT		Extensive planning and risk assessment

24. Where possible, reliance was placed on second line work to minimize duplication of efforts.



### III. Results of the audit

#### Audit work and conclusions

25. Annex A presents an action plan, which outlines the extent to which audit work resulted in observations and agreed actions.

26. The seven medium-priority observations of the audit are presented in detail below. For each of the five functional areas, a simplified standard process diagram is included which indicates the key control areas reviewed by the audit and, when exceptions or areas requiring improvement were noted, the audit observations to which they relate. All observations were rated as medium priority. 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 are they indicated in the diagrams.

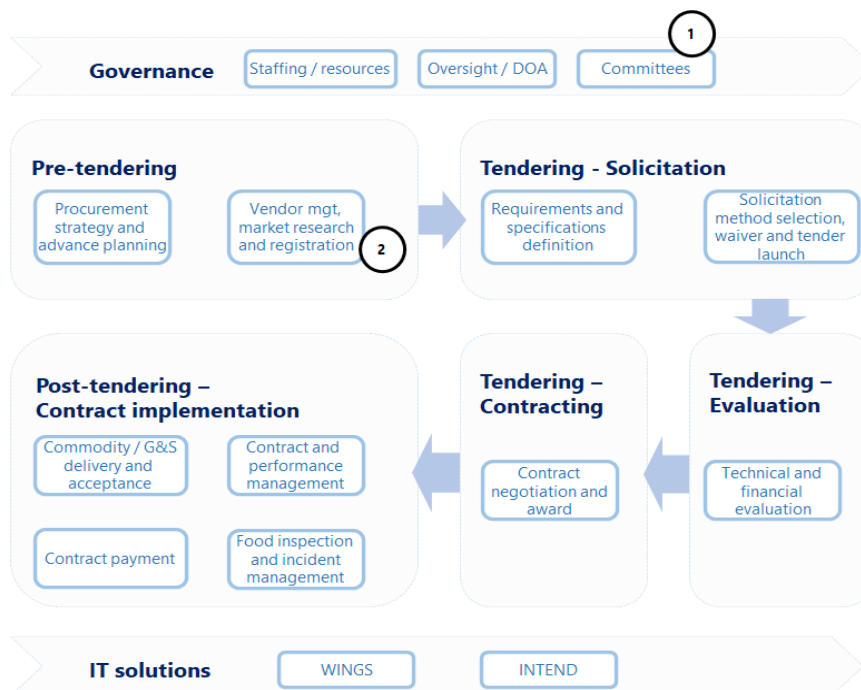
### Supply Chain

27. For the purposes of the audit the overall functional area of Supply Chain was broken into two process areas – Procurement, and Logistics and Commodity Management.

#### Procurement

28. For Procurement the audit work encompassed planning and risk assessment, plus testing of key controls for the period July to December 2020. The key control areas examined are indicated in the simplified standard process diagram shown below, which indicates any reportable exceptions noted and refers to the relevant observation(s).

29. Overall, on the basis of testing carried out, key procurement controls above were found to be functioning effectively during the period examined by the interim audit (subject to the points noted in the two observations below).





### Observation 1: Absence of Procurement Contracts Committee meetings

30. The audit noted that since the onset of the COVID-19 pandemic in early 2020, the Procurement Contracts Committee (PCC) had not met, either in-person or virtually. Instead, documents for review were shared via email amongst committee members, and approvals were obtained via email within specified deadlines.

31. Whilst possibly acceptable as a short-term measure, the absence of PCC meetings over an extended period is likely to inhibit full and effective functioning of the committee, for example by reducing the likelihood of questions being raised and debates held. This risk was corroborated by feedback obtained from discussion with a selection of PCC members.

Underlying causes: COVID-19 constraints; absence of introduction of alternative mechanisms to in-person meetings.

#### Agreed Actions [Medium priority]

The country office will introduce virtual Procurement Contracts Committee consultations to replace in-person meetings whilst COVID-19 restrictions remain in place.

#### Timeline for implementation

*The agreed action had been **implemented** by the country office prior to issuance of the audit report.*

### Observation 2: Goods and services vendor market assessments not carried out

32. A management oversight mission conducted by the Regional Bureau for Asia and the Pacific (RBB) in July 2019 raised an observation concerning the absence of market assessments for good and services procurement. It recommended that such assessments be carried out regularly to ensure that goods & services are competitively procured from the right sources and at the right prices. Corporate guidance indicates that such market research should be carried out at least annually.

33. The CO responded that an exercise to introduce this process would be carried out in the first quarter of 2020. The audit noted that assessments were not carried out during 2020, due in part to COVID-19 constraints.

34. The CO Procurement Unit indicated that it planned to implement assessments from June 2021.

Underlying causes: Non-compliance with relevant requirements/guidance; COVID-19 constraints.

#### Agreed Actions [Medium priority]

The country office will action the recommendations from the July 2019 Regional Bureau for Asia and the Pacific oversight mission, and introduce a process for regularly conducting goods and service vendor market assessments.

#### Timeline for implementation

30 June 2022

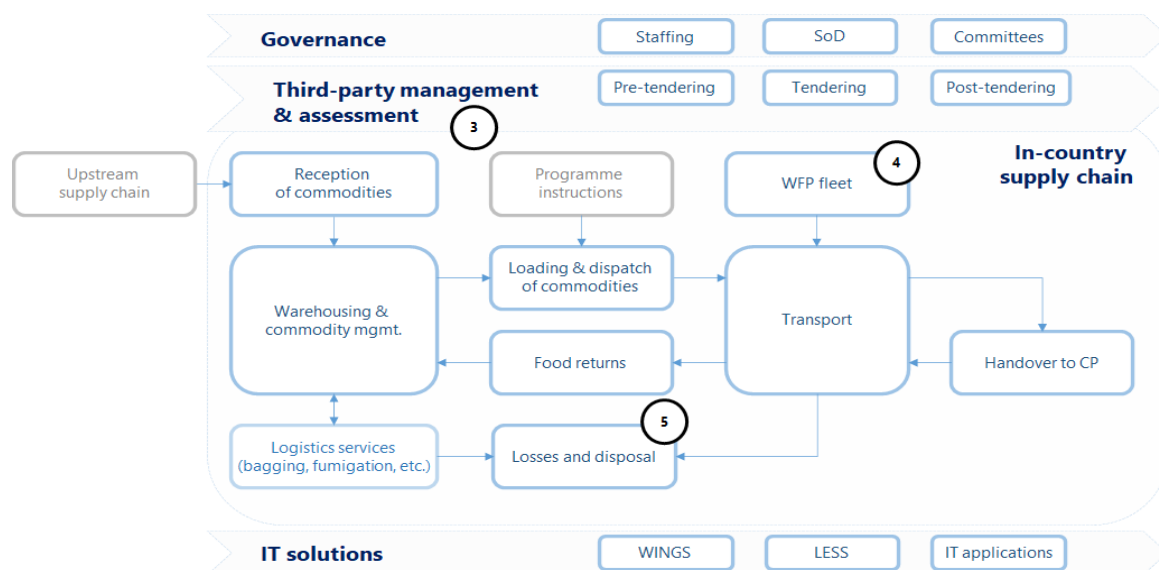


## Logistics and Commodity Management

35. For Logistics and Commodity Management, the audit work encompassed planning and risk assessment, plus testing of key controls for the period July to December 2020, undertaken to the extent possible remotely. The key control areas examined are indicated in the simplified standard process diagram shown below, which indicates any reportable exceptions noted with reference to the relevant observation(s).

36. Within the area of “Warehousing and Commodity Handling” shown in the process diagram, testing of controls related to physical safeguarding of commodities and handling and storage procedures was not possible given the remote audit approach and inability to complete the planned final phase of the audit.

37. Overall, on the basis of testing carried out, key logistics and commodity management controls above were found to be functioning effectively during the period examined by the audit (subject to the scope limitations of remote testing described above, and the points noted in the three observations below).



### Observation 3: Logistics capacity and market assessments

38. The audit reviewed both the Logistics Service Market Assessment (LSMA) and the Logistics Capacity Assessment (LCA). It identified instances of non-compliance with corporate guidance and requirements.

39. The LCA had not been updated since 2017; the Transport and Logistics Services Manual (section 3.10.3) requires that LCAs are kept up-to-date, and while the frequency of updates is not specified, it is reasonable to assume that in the context of Afghanistan, that this would take place annually to take account of changing conditions.

40. Processes for logistics market assessments were in place and the audit observed that assessments had been carried out. At the same time, it was noted that the CO had yet to transition to the new LSMA minimum standard requirements introduced corporately in September 2020.

Underlying causes: Non-compliance with updated corporate requirements.

**Agreed Actions** [Medium priority]

The country office will update the Logistics Capacity Assessment and start transition to the 2020 minimum standard requirements as per Logistics Service Market Assessment guidelines

**Timeline for implementation**

30 June 2022

### Observation 4: Fleet management issues – retention of aged trucks

41. The audit reviewed the WFP fleet in the CO and noted the following:

- Approximately 40 percent of trucks (61 trucks from a total fleet size, at the time of the audit fieldwork, of 152) were more than 30 years old. Whilst not necessarily problematic if there are operational benefits to maintaining these vehicles, this fleet profile diverges from WFP global fleet advice to dispose of trucks after eight years, and there may be associated efficiency losses and additional maintenance expenses associated with keeping trucks longer (see point below).
- Of the 61 trucks more than 30 years old, 13 were reported to be non-operational at the time of the interim audit. Of these, the CO reported that repair of seven trucks was pending receipt of spare parts, which were proving difficult to source. The remaining six non-operational trucks had been approved for disposal by the Local Property Survey Board (LPSB) in 2019 but were still in the CO's possession in 2021.

42. The CO informed the audit that its fleet will undergo a significant expansion during 2021, and that the profile of the existing fleet will be reviewed as part of this exercise.

Underlying causes: Operating context and difficulty in sourcing spare parts; no previous analysis of fleet costs and benefits.

**Agreed Actions** [Medium priority]

The country office will:

- i) Within the context of the planned fleet expansion, undertake a cost-benefit analysis of the retention of aged trucks within the fleet, and define actions accordingly, including possible disposals and replacements.
- ii) Expedite the removal of the six trucks approved for disposal by the Local Property Survey Board in 2019.

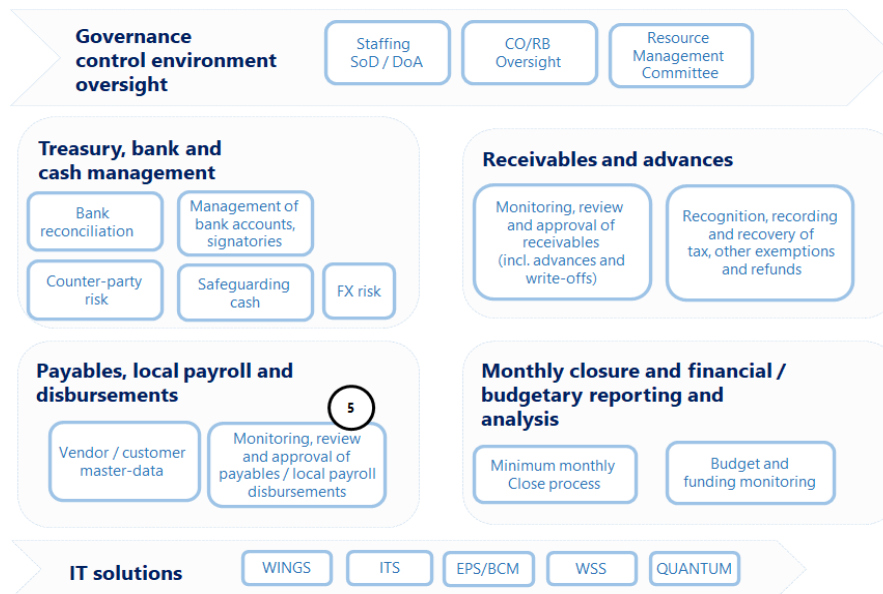
**Timeline for implementation**

31 March 2022

## Finance

43. For Finance, the audit work encompassed planning and risk assessment, plus testing of key controls for the period July 2020 to March 2021. The key control areas examined are indicated in the simplified standard process diagram shown below, which indicates any reportable exceptions noted and refers to the relevant observation(s).

44. Overall, on the basis of testing carried out, key finance controls above were found to be functioning effectively during the period examined by the audit (subject to the points noted in the single observation below).



### Observation 5: Vendor balance confirmations not completed

45. The Financial Resource Management Manual (FRMM) notes in section 10.10.7 that: “*Vendor balance confirmation represents an external source of evidence for asserting the existence and accuracy of debtor and creditor balances. Twice each year, finance officers should verify the account balances of five to ten percent of the [CO’s] suppliers, which may entail that reconciliation must be carried out*”.

46. The interim audit noted that no vendor balance confirmations were completed in 2020 (confirmed by the CO Finance Unit), and that no record of confirmations conducted in 2019 could be found. The audit acknowledges that the absence of a confirmation exercise in 2020 was due, at least in part, to constraints imposed by the COVID-19 pandemic.

47. The audit was informed, and confirmed through review of relevant documentation, that a confirmation exercise was carried out in February 2021.

Underlying causes: Non-compliance with the FRMM; external constraints imposed by the COVID-19 situation.

#### Agreed Actions [Medium priority]

The country office will ensure that a process of regular vendor balance confirmations is introduced and implemented.

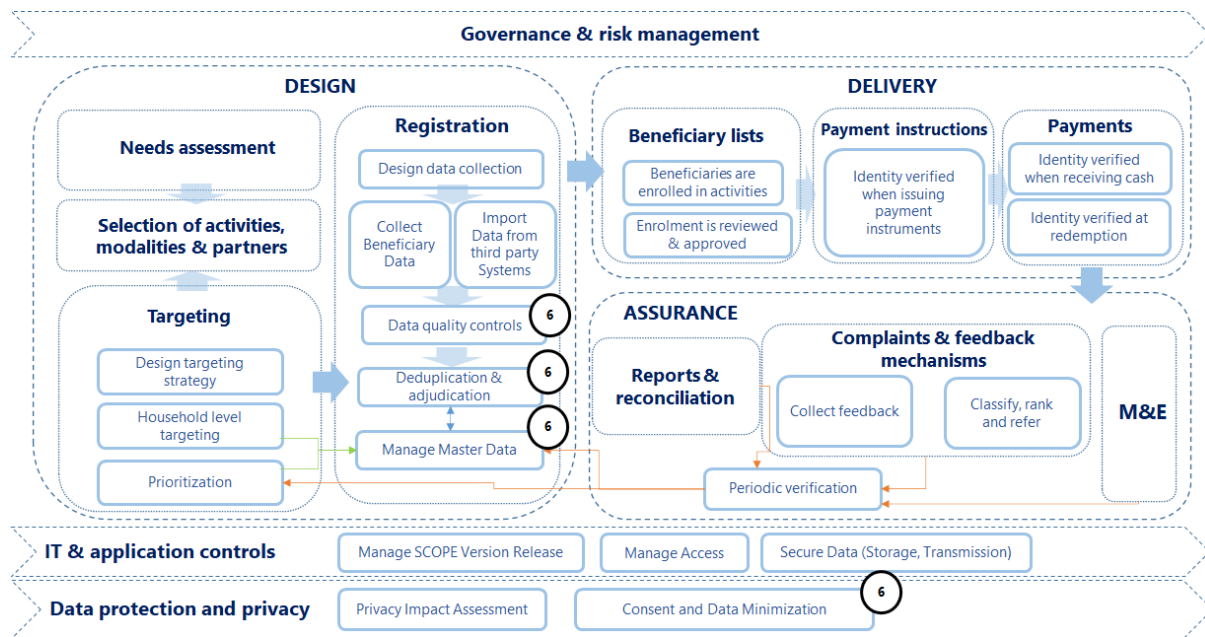
#### Timeline for implementation:

31 March 2022

## Beneficiary Management

48. For Beneficiary Management, the audit work encompassed planning and risk assessment, plus systems testing where feasible remotely. The key control areas examined are indicated in the simplified standard process diagram shown below, which indicates any reportable exceptions noted and refers to the relevant observation(s).

49. Controls within the areas of “Needs Assessment”, “Selection of activities, modalities & partners” and “Targeting” shown in the process diagram were not tested as part of the audit, given the remote approach.



**Observation 6: Use of SCOPE and management of beneficiary data**

50. The audit work included a review of the CO’s use of SCOPE for beneficiary management, primarily from a systems perspective, including an examination of the completeness, management and quality of data. It was noted that the most recent version of the SCOPE registration application was being used, and that there were no significant segregation of duty issues in relation to roles and responsibilities allocated to SCOPE users. At the same time, some other issues related to the use of SCOPE were noted, as described below.

51. **Completeness of beneficiary data in SCOPE:** The audit noted that approximately 20 percent of beneficiary data was registered via alternative mechanisms – that is, not using the SCOPE registration application – for the period under review. In some cases, this data was later transferred into SCOPE, but in others, it was stored outside SCOPE due to data quality issues preventing upload. Also, in some cases, such data was stored at area/field office level and not consolidated centrally within the CO. These factors increase the risks of the integrity of data being compromised, and of unauthorised access to and use of data.

52. **Data retention:** No assessment on data retention practices had been undertaken by the CO.

53. **Data deduplication:** Although the CO had a comprehensive SOP to perform deduplication of beneficiaries in SCOPE and had started to use the Real-Time Biometric Identification (RTBI) tool, audit testing on the entire population highlighted the presence of a relatively small number of duplicated entities, both at head of household level and for alternates. The audit did not find evidence that duplicated distributions had occurred, only that the duplicates existed in SCOPE.

Underlying causes: SCOPE not used for all beneficiary data in the CO; security constraints impacting collection of beneficiary and biometric data in some areas of the country; beneficiary data not fully consolidated and centralised; processes for beneficiary identity management and data validation, deduplication and third-party access not all clearly defined.



**Agreed Actions** [Medium priority]

The country office will:

- i) Devise and implement plans to extend (to the extent possible following the scale up of operations post August 2021) the use of SCOPE for data storage and maintenance to the entire beneficiary population, and to consolidate data currently held locally by area/field offices.
- ii) Develop and/or formalise a data retention policy.
- iii) Investigate the reasons for the existence of duplicates in SCOPE and take steps to ensure the gaps permitting duplicates to exist are addressed.

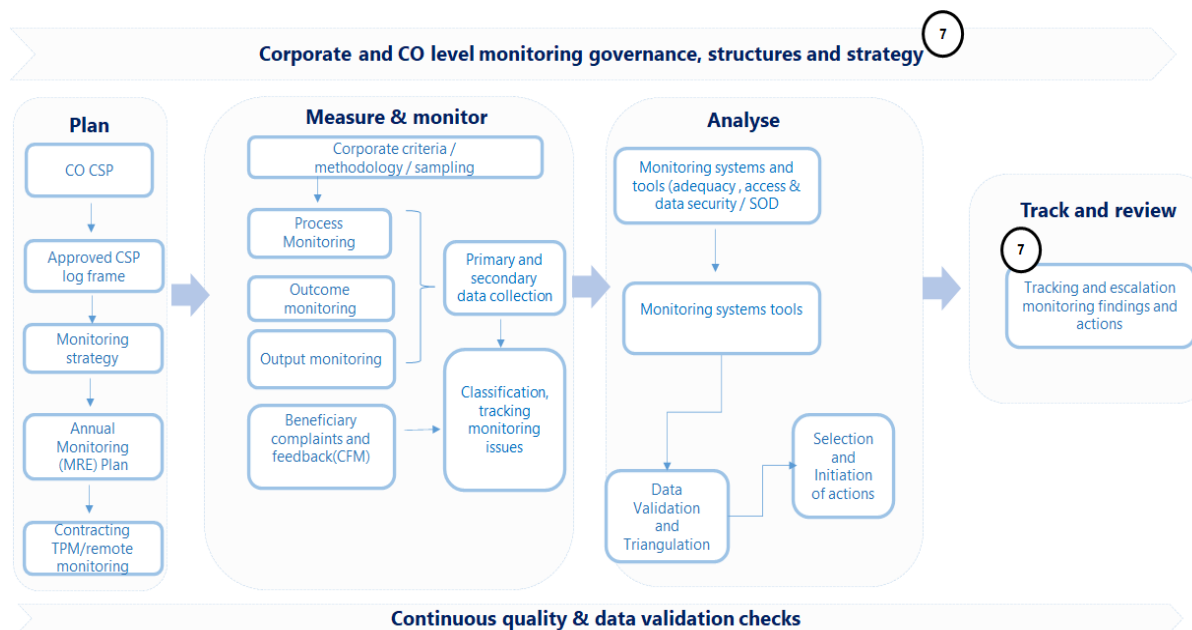
**Timeline for implementation**

30 June 2022

**Monitoring**

54. For Monitoring the audit work encompassed planning and risk assessment, plus systems testing where feasible remotely. The key control areas examined are indicated in the simplified standard process diagram shown below, which indicates any reportable exceptions noted and refers to the relevant observation(s).

55. Controls within the areas of “Annual Monitoring Plans”, “Third Party / Remote Monitoring” and Needs Assessment”, “Criteria, methodology and sampling” and “Data collection” shown in the process diagram were not tested as part of the audit.





## Observation 7: Absence of a CO monitoring strategy and of processes for escalation of findings

56. The audit was unable to obtain evidence that the CO had developed and implemented a monitoring strategy. The CO supplied copies of corporate documents which were reported to be in use, but not a specific strategy adapted to the CO's context, particular risk appetite, financial resourcing, staffing and internal and external capacity. Corporate monitoring guidance notes that<sup>1</sup> *"[although] having a monitoring strategy is not a corporate requirement for any CO, having a strategy in place ensures that monitoring work takes place in a well-planned, logical and systematic manner"*.

57. The audit observed that processes for escalating and tracking monitoring issues were informal and not well supported by tracking tools. Monitoring issues were escalated via email, with associated risks of incomplete capturing, actioning and resolution of issues.

Underlying causes: Corporate monitoring guidance not followed; lack of a systematic approach to manage monitoring issues.

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

The country office will:

- i) Consider the need to design and implement a country office monitoring strategy; or otherwise articulate the reasons why this is not deemed necessary and obtain country office management approval for these.
- ii) Design and implement tracking tools to capture, escalate and track monitoring issues.

### **Timeline for implementation**

31 March 2022

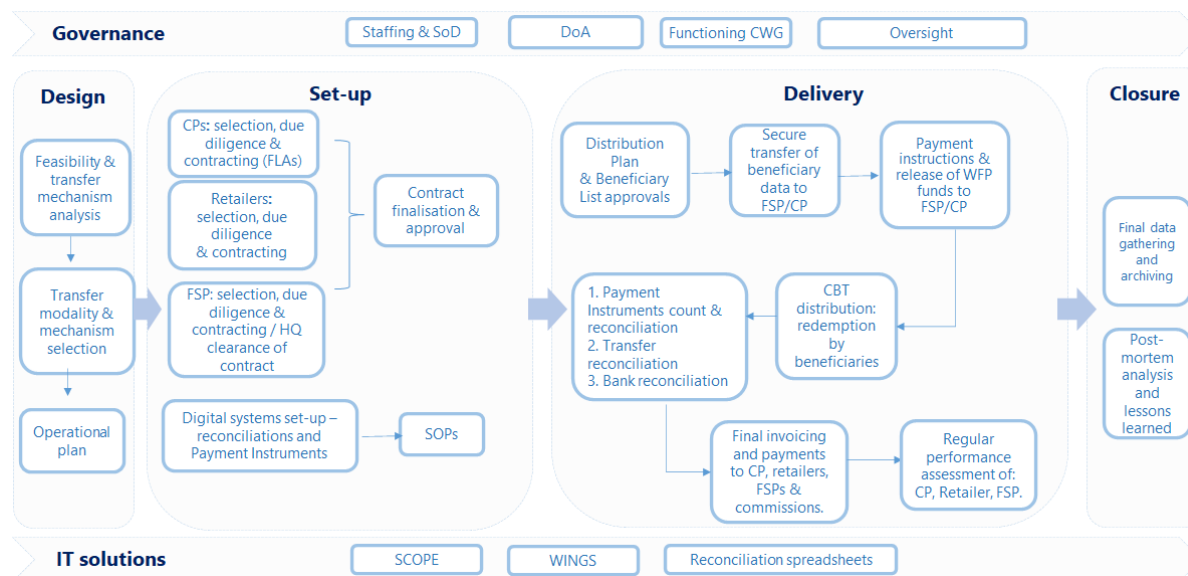
*Point i of the agreed action had been implemented by the country office prior to issuance of the audit report.*

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<sup>1</sup> [Country Office Monitoring Strategy | Monitoring \(wfp.org\)](#)

## Cash Based Transfers

58. For CBT the audit work encompassed planning and risk assessment, with no specific testing carried out. Consequently no observations have been raised. Areas where planning and risk assessment highlighted specific issues/areas for focus by the CO are described in paragraph 61; given that the originally planned final phase of the audit did not go ahead these could not be reviewed further.



59. CBT transfers represented approximately 19 percent of the total CPB transfer value for 2020; the volume of CBT operations has increased substantially from USD 14 million in 2019 to USD 32 million in 2020, with the aim of increasing to USD 43 million in 2021. The audit ascertained that for the period under review, there were two primary CBT schemes operated by the CO:

- **Direct cash:** Provision of cash to beneficiaries directly from FSPs; the main FSP was the Afghan Besim Mobile Money Company – ABMMC – accounting for approximately 94 percent of CBT transfer value in the interim audit period. With ABMMC, cash is provided to beneficiaries in exchange for tokens (a unique number provided on a paper ration card previously distributed to beneficiaries), without the use of individual beneficiary accounts.
- **Cash transfers to individual beneficiary accounts:** using the FSP Etisalat’s (a large telecommunications provider in Afghanistan) mobile financial service “mHawala”.

60. The audit noted that ambitious plans were made during 2020, in the context of COVID-19, to expand CBT to rural areas and to sign additional contracts with FSPs; at the time of the audit fieldwork, these had yet to be finalised. A new RFP was launched in November 2020 and was still ongoing in April 2021, as contracts with ABMMC and mHawala come to an end in June 2021 (after having been extended, see below). As at April 2021, contracts were in process of being finalised and signed with three potential new FSPs: Afghan Sharq, Azizi Bank and Roshan (the latter contract being finalised in late May 2021).

61. Some initial items identified for focus were as follows:

- **CBT SOPs:** The CO had SOPs in place for the two main delivery mechanisms (direct cash and e-voucher) dating from 2017. Since a new RFP process was ongoing as described above, the SOPs will have to be updated to comply with all current requirements; the CO reported that this had been completed prior to issuance of the audit report.



- **Extension of FSP contracts under waiver:** the audit noted that FSP contracts were extended under waiver, due to renewal of the contracts via a competitive process being inhibited by the COVID-19 situation.
- **Due diligence procedures for new FSP contracts:** The CO used the corporate emergency due diligence process for the three contracts still in process of being finalised with Roshan, Azizi Bank and Afghan Sharq (see paragraph 60 above). The audit discussed this process with the Business Development CBT Unit (FINB) to gain an understanding of the due diligence conducted, and noted that for Afghan Sharq, a long list of recommendations were made by FINB requiring resolution by the CO.





## Annex A: Agreed action plan

The following table shows the categorisation, ownership and due dates agreed for all interim audit observations.

#	Observation	Area	Owner	Priority	Timeline for Implementation
1	Absence of Procurement Contracts Committee meetings	Supply Chain-Procurement	CO	Medium	Implemented
2	Goods and services vendor market assessments not carried out	Supply Chain-Procurement	CO	Medium	30 June 2022
3	Logistics capacity and market assessments	Supply Chain-Logistics	CO	Medium	30 June 2022
4	Fleet management- retention of aged trucks	Supply Chain-Logistics	CO	Medium	31 March 2022
5	Vendor balance confirmations not completed	Finance	CO	Medium	31 March 2022
6	Use of SCOPE and management of beneficiary data	Beneficiary Management	CO	Medium	30 June 2022
7	Absence of a CO monitoring strategy and of processes for escalation of findings	Monitoring	CO	Medium	31 March 2022

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

### 1 Rating system

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

**Table B.1: Rating system**

Rating	Definition
<b>Effective / satisfactory</b>	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.
<b>Partially satisfactory / some improvement needed</b>	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.
<b>Partially satisfactory / major improvement needed</b>	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.
<b>Ineffective / unsatisfactory</b>	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 categorized 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**

<b>High</b>	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 organization or for the audited entity.
<b>Medium</b>	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.
<b>Low</b>	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>2</sup>

<sup>2</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 Independent Oversight Advisory 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 Enterprise 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 Independent Oversight Advisory Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



## Annex C: Acronyms

CBT	Cash Based Transfers
CFM	Complaints and Feedback Mechanism
CO	Country Office
CPB	Country Portfolio Budget
CSP	Country Strategic Plan
FSP	Financial Service Provider
FSQ	Food safety and quality
LESS	Logistics Execution Support System
LPSB	Local Property Survey Board
LSMA	Logistic Service Market Assessment
LTC	Local Transport Committee
MIN	Management information note
NFR	Note for the record
OIGA	Office of Internal Audit
PCC	Procurement Contracts Committee
RBB	WFP Regional Bureau for Asia and the Pacific
SCOPE	WFP's Beneficiary and Transfer Management Platform
SOP(s)	Standard Operating Procedure(s)
WFP	World Food Programme