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Internal Audit of WFP Operations in Sierra Leone

Office of the Inspector General
Internal Audit Report AR/23/02



March 2023



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I. Executive summary

WFP Sierra Leone Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Sierra Leone that focused on a defined set of controls for small country offices covering governance, beneficiary management, cash-based transfers, supply chain, monitoring and non-governmental organization management. The audit also performed a limited review of fuel management as well as gender and diversity. The audit covered the period from 1 January 2021 to 31 July 2022.
2. The work of WFP in Sierra Leone, as defined through the six strategic outcomes of the Country Strategic Plan for 2020–2024, aims to provide life-saving assistance and nutrition to severely food-insecure people, support school feeding programs and smallholder farmers, strengthen capacity and improve the humanitarian response through the delivery of common services in-country.
3. The latest budget for the country strategic plan, revised in November 2022, was USD 117.0 million. In 2021, WFP expenses amounted to USD 18.8 million,¹ and the country office reached 539,000 beneficiaries.
4. The audit focused on the implementation of activities #1 - *Provide food and nutrition assistance to crisis-affected households and support their recovery needs*, and #2 - *Provide nutritious school feeding to primary schoolchildren and support the implementation of an integrated school feeding programme*, under strategic outcomes 1 and 2. These accounted for 82 percent of the total expenses during 2021.

Audit conclusions and key results

5. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **major improvement needed**. The assessed governance, 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.
6. WFP in Sierra Leone is a key partner to the national Government. The country office supported the development and application of a solid methodology for identifying food insecure areas and assisting the most vulnerable through lifesaving and resilience activities. Donors, the Office of the Resident Coordinator, and local non-governmental organizations acknowledged WFP's leading role in food assistance as well as in service provision. The country office recently established strategic partnerships with International Financial Institutions, which might contribute towards mitigating funding shortfalls in the future.
7. Between 2021 and 2022, the Regional Bureau for Western Africa and headquarters carried out one oversight and two support missions. These missions identified improvement areas in all key processes but did not systematically address the underlying root-causes for the issues identified given their compliance focus.
8. Funding constraints in the audit period were an underlying cause for the insufficient staffing of key functions such as human resources and monitoring. The audit identified two other common causes for the audit issues: (i) gaps in staff skillsets; and (ii) limited awareness and implementation of corporate guidance. As a result, there were weaknesses in internal controls affecting the efficiency of programme delivery and exposing the operations to fraud risks.

¹ WINGS data



9. The audit identified the need to strengthen the controls in protection and accountability to affected populations. The country office did not follow-up on the actions identified through the protection from sexual exploitation and abuse self-assessment and did not mitigate risks related to beneficiary data shared with non-governmental organizations through manual lists. Beneficiaries in some geographic areas were not aware of the feedback mechanism to raise complaints and the country office did not keep records of the actions taken to follow up on complaints received.

10. For procurement and administration, there is the urgent need to build capacity of national staff. A high number of purchases occurred prior to the approval of procurement actions and data on reported fuel consumption was unreliable. In monitoring and management of non-governmental organizations and cash-based transfers, there was a need to improve controls and clarify through procedures roles and responsibilities. The country office delegated to non-governmental organizations the verification of beneficiary lists and did not estimate the inclusion and exclusion errors for the crisis response assistance programme.

11. With respect to cash-based transfers, there is a need to review the set-up of using non-governmental organizations as transfer agents. This is defined as a last resort option by corporate guidelines and requires identification of risk mitigation actions and reassessment of the scope of activities as soon as the contract with a financial service provider will be finalised. The use of spreadsheets for cash-based transfer activities did not provide sufficient trail on the data processing and reconciliations and was inherently prone to errors.

12. The funding opportunities may scale up operations and increase the risk exposure for the country operations should existing control weaknesses remain unaddressed. The country office will require further support from the regional bureau and headquarters to address gaps in skillsets, strengthen fraud risk management and improve controls given the context and priorities of the operations.

Actions agreed

13. The audit report contains two high-priority and three medium-priority observations. Management has agreed to address the reported observations and to work to implement the agreed actions by their respective due dates.

THANK YOU!

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



II. Country context and audit scope

Sierra Leone

15. Sierra Leone is a low-income and food-deficit country, it has a population of 8.0 million people. The country is ranked 182 out of 189 in the 2020 Human Development Index. Its 2019 Gender Development Index value was 0.9 indicating high development inequality between genders.

16. The country has experienced one of the fastest declines in food security across West Africa. The 2020 comprehensive food security and vulnerability analysis shows the national prevalence of food insecurity increasing from 45 percent in 2010 to 57 percent in 2020. The analysis also showed an increase in the global acute malnutrition rate. In 2021, there was a further deterioration in food and nutrition security.²

17. The economic impact of the pandemic, the war in Ukraine and longer-term macroeconomic decline has contributed toward high rates of inflation, erosion of incomes and livelihoods. The exchange rate depreciation against the United States Dollar (USD) has increased the cost of food and other essential non-food items, as shown by year-on-year inflation increasing from 10.9 percent in August 2021 to 28.1 percent in August 2022.³

WFP operations in Sierra Leone

18. The 2020-2024 Country Strategic Plan was initially approved with a budget of USD 53.0 million. The country office increased the budget to USD 117.0 million through four budget revisions and added a new strategic outcome and activity for service provision under strategic result 8 - sharing of knowledge, expertise and technology strengthen global partnership support to country efforts to achieve the SDGs.

19. In 2021, WFP assisted vulnerable people with conditional and unconditional food assistance by delivering 9,631 metric tons of food and USD 3.0 million through cash-based transfers (cash-based transfers). The country office also assisted 1,149 government-owned and government-assisted primary schools, in food-insecure chiefdoms across nine districts in Sierra Leone, reaching 327,323 pupils.

20. The country office worked with a wide range of partners to implement its activities, including local non-governmental organizations (NGOs), local authority partners and other United Nations organizations. WFP scaled up its social safety net interventions, targeting severely food insecure and increasingly vulnerable households because of the socio-economic impacts of the COVID-19 pandemic.

21. The key contextual risks to WFP's operations were climate change, health-related emergencies including an increase in COVID-19 cases and extreme weather conditions resulting in localized emergencies. The country office provided food assistance through cash-based transfers to 1,482 households affected by a fire in central Freetown in April 2021.

22. The country office reassessed its funding risk as low in the 2022 country risk register. Its funding outlook recently improved following successful engagement with the World Bank and the United States Agency for International Development. During the audit fieldwork, the country office was engaging with the International Monetary Fund for funding opportunities. The high probability funding opportunities of the country office for the period 2022 to 2026 amounted to USD 24.0 million.

Objective and scope of the audit

23. The objective of the audit was to provide assurance on the effectiveness of governance, risk management and internal controls relating to WFP operations in Sierra Leone. Such audits contribute to an annual and overall assurance statement to the Executive Director on governance, risk management and internal control.

² WFP. Sierra Leone Annual Country Report 2021.

³ WFP. Sierra Leone Country Strategic Plan Budget Revision 4.



24. The audit focused on two activities within the Country Strategic Plan 2020–2024, under strategic outcomes 1 and 2, representing 82 percent of the total expenses in 2021:

- *Activity 1 – Provide food and nutrition assistance to crisis-affected households and support their recovery needs.*
- *Activity 2 – Provide nutritious school feeding to primary schoolchildren and support the implementation of an integrated school feeding programme.*

25. The audit builds on a tailored review of key controls under priority focus areas informed by a risk-based approach and adapted to small country office operations not previously overseen by the Office of Internal Audit.

26. The six areas in scope for the audit comprised of: (i) governance; (ii) beneficiary management; (iii) cash-based transfers; (iv) supply chain; (v) monitoring; and (vi) non-governmental organization management. The audit also performed a limited review of risks related to fuel management as well as gender and diversity.

27. The audit team conducted the fieldwork in the Sierra Leone Country Office in Freetown.

28. The Regional Bureau for Western Africa carried out a remote oversight mission in July 2021 and a support mission in June 2022. The mission in 2022 included a visit to the country office and reviewed implementation of the actions recommended in 2021. To minimize duplication of efforts the audit placed reliance on second line assurance work where possible and relevant. As a result, finance, budget as well as some control testing for non-governmental organization management were not in the audit scope.

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



III. Results of the audit

Audit work and conclusions

30. Five observations arose from the audit of the areas in the scope (see paragraph 22), grouped into three areas: (i) governance; (ii) programme management, covering results in beneficiary management, monitoring and NGO management; and (iii) operations and delivery, covering cash-based transfers and supply chain.

31. Observations are assessed with priority rating high or medium; any other issues arising from the audit that were assessed as low priority were discussed with the country office directly and are not reflected in the report.

Governance

32. The audit tested the country office risk register, the corporate annual internal control assurance statement, segregation of duties for key processes and reviewed oversight and support activities performed by the regional bureau.

33. In addition to reviewing progress on implementing previous recommendations, the 2022 regional bureau support mission helped the country office strengthen its risk identification and reporting activities for the internal control assurance statement.

Observation 1: Staffing and operating environment

34. Between 2021 and 2022, there was rotation of staff in management and most head of unit positions. In July 2022, following the Country Director reassignment to Ukraine, the Deputy Country Director took over the post while her deputy position remained vacant for six months, until February 2023. During this period, the country office tried to fill the gap in support services with international consultants. The recruitment thereof was unsuccessful as selected candidates had accepted offers from other WFP units.

35. The annual assurance exercise, the country office risk register and audit observations related to programme management, procurement and administration highlighted insufficient capacity (in terms of number of staff) and skills, resulting in internal control weaknesses in these areas. This led to initiatives being deprioritized. For example, the country office did not develop or update standard operating procedures for cash-based transfers, monitoring and commodity management; nor did it develop the learning and development strategy as planned.

36. In July 2022, the regional bureau carried out a learning and needs analysis for the enabling services functions with inputs from country offices across the region. The analysis built on a self-assessment tool to define a skill development plan. It is noted that following a review of the tool at headquarters, the same methodology will be applicable to country offices, allowing a focus on specific skill gaps in operations.

37. Results of the WFP 2021 global staff survey highlighted level of staff morale below the corporate average and lower than in 2018 survey results. The main cause, as highlighted by interviews with WFP management, a staff association representative and the United Nations Resident Coordinator, has been salary adjustments for United Nations national staff which were not aligned with the increasing costs of living in country. In 2019, the Resident Coordinator brought the matter to the attention of the United Nations Office of Resource Management, although follow-up actions are yet to address the issue. The Office of the Resident Coordinator planned an additional salary survey in 2023, after which special measures to align salaries to cost of living will be reconsidered.

38. The gaps in internal controls, coupled with the frustrations with income erosion and financial pressures, create opportunities that may result in incentives to commit fraud.

Underlying cause(s): Difficulties in addressing gaps in skillset impacting, inter alia, the ability to manage fraud risks.



Agreed Actions [High priority]

- 1) The country office, with the support of the Regional Bureau for Western Africa, will complement the enabling services learning and needs analysis for the region with a country office specific assessment, and deploy the necessary trainings to personnel.
- 2) The country office with the support of the Regional Bureau for Western Africa and the headquarters Anti-Fraud and Anti-Corruption team, will carry out a fraud risk assessment on processes considered key priority.

Timeline for implementation

- 1) 31 December 2023
- 2) 30 June 2023

Observation 2: Protection and accountability to affected population

39. WFP Sierra Leone promoted the role of women and youth across all programmes. Initiatives consisted of equitable inclusion in all community-level fora as well as promotion of equitable access to food and livelihood opportunities. Gender-based violence was a major concern, with an estimated 62 percent of women in country reporting to have experienced physical or sexual violence.⁴ The country office focused on ensuring that all beneficiaries could access assistance safely, prioritizing at distribution points pregnant and lactating women as well as persons with disabilities.

40. The country office did not carry out the assessment of sexual exploitation and abuse risks for contracted NGOs and had not defined formal referrals for managing incidents and escalating protection requests received through the beneficiary feedback mechanism. Following audit fieldwork, the country office focal points for protection from sexual exploitation and abuse finalized the country office self-assessment required by corporate guidance. The assessment highlighted key improvement areas including the need to develop referral pathways and conduct assessments of NGO capacity regarding protection from sexual exploitation and abuse.

41. Since 2015, the country office has been relying on a toll-free number as the main beneficiary feedback mechanism. In 2021, the hotline received 889 calls, of which more than 50 percent were requests for information related to entitlements.⁵ The records of the calls did not include information on follow-up actions and closing dates. The audit field visit highlighted that in some geographic areas, beneficiaries had limited awareness of the beneficiary feedback mechanism and did not use it to raise complaints. Management acknowledged that the overall number of complaints received was low compared to the size of the operations.

42. Some NGOs used manual lists for beneficiary registration and food distributions in 2021, without the country office verifying their policies and procedures related to data protection. This creates a loophole in risk management.

Underlying cause(s): Absence of follow-up on the prevention of sexual exploitation and abuse self-assessment; limited sensitization of field staff and communities on feedback mechanisms; and risks related to non-governmental organizations data management not being assessed and hence not mitigated.

⁴ 2019, Statistics Sierra Leone, Demographic and Health Survey: <https://dhsprogram.com/pubs/pdf/FR365/FR365.pdf>.

⁵ 2021, WFP Sierra Leone Annual Country Report.



Agreed Actions [High priority]

- 1) The country office, in coordination with the Ethics Office, the Resident Coordinator Office and the newly established Protection from Sexual Exploitation and Abuse Working Group in country, will follow up on areas for improvement identified through the protection from sexual exploitation and abuse self-assessment.
- 2) The country office will carry out sensitization activities to strengthen the awareness of the beneficiary feedback mechanism among all field staff and communities.
- 3) The country office, with the support of the Regional Bureau for Western Africa, will assess and mitigate data protection risks related to non-governmental organizations.

Timeline for implementation

- 1) 31 December 2023
- 2) 30 June 2023
- 3) 30 June 2023



Programme management

43. In 2021, WFP Sierra Leone reached 539,000 beneficiaries: 61 percent (or 330,000) of these related to school-based programmes; 23 percent (or 123,000) for crisis response; and 16 percent for other activities. In coordination with national authorities, the country office conducted regular and comprehensive needs assessments. These analyses were the basis for targeting the communities and schools in the most food insecure geographic areas. WFP complemented the geographic targeting with community-based household targeting for crisis response. The country office contracted three national NGOs to support programme implementation and performed regular spot-checks on their activities.

44. The country office programme unit included both activity management and a separate function for assessment and monitoring. This set-up is aligned with the corporate structural model for small-sized operations and requires controls to compensate the limited independence of the monitoring process. The audit reviewed key controls related to programme management, including the selection of beneficiaries, the management of distribution lists and the monitoring process. The audit also reviewed the NGO performance evaluation process.

Observation 3: Verification of beneficiary lists, monitoring and performance evaluation

45. The country office delegated to NGOs the validation of beneficiary lists. The NGOs did not submit validation reports and there was an absence of systematic monitoring of the validation process by the programme unit. These gaps affected the capacity of the country office to estimate inclusion and exclusion errors of the targeting and registration exercise.

46. The field offices led the performance evaluation process for two NGOs. The programme unit at the country office level did not provide formalized inputs to the performance evaluations or track the findings identified, so that these could feed in the contract renewal process. The country office did not renew the contract for one NGO, based on underperformance results. Yet the country office did not document the performance evaluation for this NGO.

47. The country office dealt with more than 1,800 active sites, including food distribution points and schools. During the audit period, the monitoring function did not review its monitoring coverage. Interviews with field office and monitoring staff highlighted that physical proximity influenced site selection and field staff excluded some distribution points from monitoring plans because of access challenges. Monitoring staff used narrative reports rather than monitoring questionnaires, leading to inconsistencies in recording and challenges in data analysis. The tracking of issues identified during visits and monitoring of follow-up actions was not systematic as required by corporate guidance.

48. The Office of Internal Audit acknowledged the country office was aware of the issues above and that the gaps in validation were related to short-term interventions with maximum duration of three months. Several initiatives to improve the monitoring process were ongoing at the time of the audit visit. These included the set-up of a monitoring plan, questionnaires for harmonizing data collection, development of a platform to visualize progress against the plan, and recruitment of additional field monitors.

Underlying cause(s): Insufficient staffing for crisis response activity, affecting the ability of the programme unit to guide the verification of beneficiary lists; undefined roles and responsibilities in NGO performance evaluation and improvement as well as monitoring issue follow-up; sampling methodology for site selection monitoring not defined; and gaps in skillsets, including limited awareness of corporate guidance for monitoring (refer to agreed action [\(i\) in observation 1: staffing and operating environment](#)).



Agreed Actions [Medium priority]

1. The country office, with the support of the Regional Bureau for Western Africa, will carry out an assessment of the number of staff needed for crisis response activity.
2. The country office will define roles and responsibilities for non-governmental organizations performance evaluation and follow-up.
3. The country will develop and implement standard operating procedures clarifying roles and responsibilities for monitoring issues follow-up and establishing a risk-based methodology for monitoring site selection.

Timeline for implementation

- 1) 31 December 2023
- 2) 30 June 2023
- 3) 30 June 2023



Operations and delivery

Cash-based transfers

49. The country office delivered USD 3.9 million in cash-based transfers to beneficiaries during the audit period: 77 percent was mobile money transfers through one financial service provider (FSP), and 23 percent cash-in-envelopes through two national NGOs. At the time of the audit fieldwork, the country office used cash-in-envelopes to address operational challenges in hard-to-reach areas and it was contracting a second FSP to further limit the use of NGOs. As the FSP will not fully meet operational needs, the country office planned to continue using NGOs as transfer agents in some areas. The country office implemented an automated and secure file transfer solution for sharing data with NGOs.

50. The audit tested key controls in cash-based transfers processes and systems including set-up and delivery.

Observation 4: Use of non-governmental organizations and digital solutions for cash-based transfers

51. Corporate guidance⁶ from April 2021 recommends the use of NGOs as transfer agents as a last resort choice in contexts where there are no FSPs. The country office did not assess the capacities and risks in using NGOs as transfer agents nor did it document the rationale for contracting NGOs rather than FSPs. This limited the identification and implementation of risk mitigation measures for cash transfers through NGOs.

52. In January 2020, the country office transitioned from the use of the corporate beneficiary information and transfer management platform (SCOPE) to the corporate data collection tool (MoDA). Since then, the country office manually performed data processing and transfer reconciliations. The use of spreadsheets did not provide a sufficient audit trail; it is inherently prone to errors and limited the possibility of performing data analyses.

53. Further, the standard operating procedure for cash-based transfers activities did not detail the set-up for managing NGOs used as transfer agents and did not reflect the changes in corporate systems.

Underlying cause(s): Limited awareness of corporate guidance (refer to agreed action (i) in observation 1: [staffing and operating environment](#)); insufficient assessment of corporate digital solutions; and absence of regular reviews of the standard operating procedure for cash-based transfers.

Agreed Actions [Medium priority]

- 1) The country office will:
 - (i) Assess the capacities and risks for using non-governmental organizations for cash-based transfers as required by corporate guidance.
 - (ii) Update the standard operating procedure for cash-based transfers to reflect changes in the process.
- 2) The country office, in coordination with the Regional Bureau for Western Africa and the headquarters data assurance team, will establish digital and automated solutions to reduce manual processes.

Timeline for implementation

- 1) 30 June 2023
- 2) 30 June 2023

⁶April 2021 WFP Decision Memo on the use of NGOs to transfer cash.



Procurement and administration

54. From January 2021 to July 2022, local procurement purchase orders amounted to USD 16.3 million, of which 67 percent related to the purchase of goods and services. The country office had a centralized procurement set-up and systematically used the corporate electronic tendering system to manage requests for proposal or quotations.

55. The audit tested key controls in procurement, including pre-tendering, tendering solicitation, evaluation and contracting.

56. The audit also carried out a limited review of administration activities with a focus on fuel management.

Observation 5: Updates to the procurement plan and fuel management

57. There was no quarterly review of the 2021 procurement plan and the country office did not finalize the 2022 procurement plan as recommended by the previous year's regional bureau oversight report. This limited the country office's ability to align needs with plans and resulted in 458 post factum purchase orders during the audit period. In September 2022, the country office participated in a procurement training at the regional bureau and planned to finalize its procurement plan in 2023.

58. As part of a support mission in March 2022, the global fleet unit reviewed light vehicle, generator and fuel management entries in the fleet management system (FMS). The mission noted gaps in staff skillsets related to the FMS reporting tools, and the absence of regular reports and key performance indicators to inform decision making by the country office management.

59. During the audit fieldwork, the country office administration unit continued to manually perform fuel costs and odometer analysis but the analysis did not include the FMS key performance indicators. There were data quality issues such as negative kilometres travelled by light vehicles and data inconsistent with reported fuel consumption. Such data quality issues as well as the absence of key performance indicators continued to limit monitoring cost-effectiveness and the follow-up on fuel consumption anomalies.

Underlying cause(s): Procurement plan review not prioritized by requesting units; gaps in skillsets, limiting the ability to meet corporate standards for procurement and fleet management (refer to agreed action [\(i\) in observation 1: staffing and operating environment](#)); and fuel reporting requirements not defined.

Agreed Actions [Medium priority]

- 1) The country office will:
 - (i) Carry out periodic refresher trainings on procurement requirements for requesting units.
 - (ii) Establish quarterly reviews and updates of the procurement plan.
- 2) The country office, leveraging on the support of the Regional Bureau for Western Africa, will redesign the monthly fuel report to be reviewed by the country office management.

Timeline for implementation

- 1) 31 December 2023
- 2) 30 June 2023



Logistics

60. The country office logistics operation delivered around 13,000 metric tons of food in the audit period. The audit assessed logistics key controls, including management of warehouses, food losses and commodity accounting.

61. Transport and storage losses in the audit period amounted to 100.7 metric tons, representing 0.8 percent of total food transfers in the period. The head of logistics reported that in 2021, the country office did not take action to recover losses from transporters and staff recorded storage losses in the corporate system without getting the required approval from the head of unit.

62. Outcomes of audit testing highlighted that the country office implemented actions to address these issues in 2022. Actions included recovery of losses from logistics service providers, regular review of losses recorded in corporate systems, and warehouse capacity assessment. Following these initiatives and upon request of the head of logistics, the regional bureau was conducting a staffing and structure review of the logistics unit.

63. The audit did not make any specific recommendation for logistics as the ongoing review and other 2022 initiatives are expected to strengthen the internal control system. The country office will assess fraud risks related to commodity management as part of the agreed action [\(ii\) in observation 1 \(Staffing and operating environment\)](#) and consider the development and implementation of a standard operating procedure as a risk mitigation action.



Annex A – Agreed action plan

The following table shows the categorization, ownership and due date agreed with the audit client 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 country office level.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Staffing and operating environment	Governance	CO	High	1. 31 December 2023 2. 30 June 2023
2	Protection and accountability to affected population	Governance	CO	High	1. 31 December 2023 2. 30 June 2023 3. 30 June 2023
3	Verification of beneficiary lists, monitoring and performance evaluation	Programme management	CO	Medium	1. 31 December 2023 2. 30 June 2023 3. 30 June 2023
4	Use of non-governmental organizations and digital solutions for cash-based transfers	Operations and delivery	CO	Medium	1. 30 June 2023 2. 30 June 2023
5	Updates to the procurement plan and fuel management	Operations and delivery	CO	Medium	1. 31 December 2023 2. 30 June 2023



Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, UNOPS and WFP adopted harmonized 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.
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.
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 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

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 organization 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.⁷

⁷ 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 corporate system for the monitoring of the implementation of oversight recommendations. 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.

The Office of Internal Audit 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, the Office of Internal Audit 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, the Office of Internal Audit 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. The Office of Internal Audit 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

FMS	Fleet Management System
FSP	Financial Service Provider
MoDA	WFP's data collection tool
NGO	Non-governmental organization
SCOPE	WFP's beneficiary information and transfer management platform
USD	United States Dollar
WFP	World Food Programme