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# Internal Audit of WFP Operations in Guinea

Office of the Inspector General  
Internal Audit Report AR/23/03



March 2023



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## I. Executive summary

### WFP Guinea Country Office

1. As part of its revised 2022 annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Guinea that focused on a defined set of controls for small-sized country offices, covering governance, beneficiary management, supply chain, budget management, non-governmental organization management and monitoring. The audit also performed a limited review of gender and diversity. The audit covered the period from 1 January 2021 to 31 July 2022.
2. Through six strategic outcomes, the Interim Country Strategic Plan 2019–2023 positions WFP in Guinea as a key contributor to emergency food and nutrition assistance, school feeding programmes, livelihoods support for resilience building and national social safety net programmes.
3. The latest budget for the strategic plan, revised in April 2021, was USD 93.0 million. In 2021,<sup>1</sup> WFP expenses amounted to USD 17.0 million, and the country office reached 401,963 beneficiaries. The audit focused on the implementation of activity #1 – *Food-insecure populations, including pre and primary school-age children, in targeted areas have access to adequate and nutritious food all year round*, and activity #2 – *Crisis-affected populations in targeted areas are able to meet their basic food and nutrition needs during and in the aftermath of a crisis*, under strategic outcomes 1 and 2. These accounted for 69 percent of the total expenses during the audit period.

### 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 **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 should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity. Urgent management action is required to ensure that the identified risks are adequately mitigated.
5. The audit acknowledges the structural and operational challenges because of previous gaps in management, staffing and the 40 percent funding drop from USD 15.6 million in 2020 to USD 6.2 million in 2022. The funding shortfalls drove in late 2021, as emergency activities ended, a rushed scaling-down of operations and a reprioritization of assistance.
6. The country director, with the support of the Regional Bureau of West Africa, organized several anti-fraud and anti-corruption awareness sessions for WFP staff, partners and suppliers and encouraged staff to speak up about inappropriate and abusive conduct. The country office proactively reported fraud and corruption allegations corporately. At the time of the audit fieldwork, the country office improved the quality of its donor reports and, compared to 2020, the office reduced local purchase lead time by 70 percent and by 55 percent for cash-based transfers. The office is in the process of mobilizing more resources for 2023.
7. There was a pervasive breakdown in controls in programme, non-governmental organization management, monitoring, procurement and budget management. The gaps and weaknesses could not be explained in all cases by reference to contextual issues. They were mainly attributable to a rushed scaling-down in staffing structure because of funding constraints; limited knowledge, skills and discipline to apply corporate guidance and standards; insufficient management structure and oversight to enforce staff accountabilities and ownership for controls; and regional bureau oversight not prioritized due to the small scale of operations. As an example, insufficient financial oversight over the grant management process led to expense recognition issues and non-compliance with international accounting standards in relation to USD 960,000.

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<sup>1</sup> Annual Country Report 2021



8. With the inherently high risk of fraud and corruption, exposure to third-party and operational risks remained unmitigated as due diligence, assessments and performance management processes did not adhere to corporate standards, particularly for non-governmental organizations and vendors.

9. With respect to supply chain, there were several internal control gaps and red flags in the solicitation, due diligence and performance evaluation of vendors and new food suppliers. In food safety and quality, outdated food specifications were in use and a national inspection entity tested commodities for WFP, albeit without a contract and its capacity having been assessed beforehand.

10. The country office did not have targeting criteria for all activities. Because of poor quality of beneficiary registration data and absence of data standardization, deduplication checks were not effective and the risk of exclusion and inclusion errors going undetected was high. Without an automated and digital system, the preparation of beneficiary and payment lists was manual using spreadsheets, increasing the risks of potential manipulation and mistakes.

11. In the absence of a complaints and feedback mechanism, the risk of limited accountability to affected populations was not mitigated. There was insufficient information on whether WFP's activities are achieving their intended outcomes as monitoring was not prioritized and insufficiently resourced.

12. Considering the likelihood of incoming funds in 2023, corporate efforts are needed to support the country office to establish more robust oversight, management structure, risk and fraud risk management as well as to strengthen staff skills and ownership of control. These efforts are well acknowledged by both the country office and regional bureau management.

### **Actions agreed**

13. The audit report contains five high and one 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

### Guinea

15. Guinea Conakry, also referred to as Guinea, is a coastal country largely dependent on mining and agriculture, with a population of 14.0 million. Low productivity, poor farming techniques and significant post-harvest losses undermine the agricultural sector, while poor road infrastructure hinders access to markets. Guinea also faces major socio-economic and political challenges. In 2021, it experienced a coup d'état as well as multiple health emergencies<sup>2</sup> and sudden-onset natural crises. These, coupled with the COVID-19 pandemic, exacerbated the hardships of vulnerable local households and communities through movement restrictions, market closures and rising food prices.

16. According to the March 2022 Integrated Food Security Phase Classification analysis, the number of people in acute food insecurity situation (phase 3) increased by 11 percent since February 2021. Food insecurity is compounded by increasing poverty and inequality of the most vulnerable people, particularly women, children, people living with disabilities and casual laborers.

17. Guinea ranked 150 of 180 countries in the 2021 Transparency International Corruption Perception Index, which represents a high inherent risk of fraud and corruption likely to impact the delivery of WFP's operations.

### WFP operations in Guinea

18. The 2019-2022 interim country strategic plan (ICSP) was initially approved with a budget of USD 40.0 million to assist the Government in improving food security outcomes across the country. In 2020 and 2021, several budget revisions increased the budget to USD 77.9 million to respond to COVID-19 and Ebola virus disease emergencies as well as improve resilience building.

19. The last budget revision in April 2022 extended the ICSP duration from 1 July 2022 to 30 June 2023, to align it with the UN Sustainable Development Cooperation Framework (UNSDCF) timeframe and reflect the significant decrease in funding as emergency activities ended.

20. WFP responded to the various health crises through an integrated package of food and nutrition assistance as part of its emergency response. The country office also supported smallholder agricultural market and food assistance for assets activities and sought complementarities with the national school feeding programme.

21. The significant funding drop by 40 percent from USD 15.6 million in 2020 to USD 6.2 million in 2022 led management, with the support of the regional bureau, to reduce its staff numbers by 35 percent. The country office also reprioritized its assistance by reducing school feeding food rations, the number of school-feeding days and, in some cases, by suspending in-kind and cash-based transfer delivery.

22. In 2021, WFP reached 401,963 vulnerable people with conditional and unconditional food assistance, by delivering 6,000 metric tons of food and USD 3.6 million of cash-based transfers.

### 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 Guinea. Such audits contribute to the annual assurance statement to the Executive Director on governance, risk management and internal control based on the work undertaken by OIG.

24. The audit covered the period from 1 January 2021 to 31 July 2022.

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<sup>2</sup> Including the resurgence of the Ebola virus disease, the Marburg virus disease and the Lassa fever.



25. The audit focused on activity 1 under strategic outcome 1 and activity 2 under strategic outcome 2, as detailed below. These represented 69 percent of the ICSP expenses and 84 percent of the beneficiaries assisted in 2021.

- *Activity 1 – Food-insecure populations, including pre and primary school-age children, in targeted areas have access to adequate and nutritious food all year round.*
- *Activity 2 – Crisis-affected populations in targeted areas are able to meet their basic food and nutrition needs during and in the aftermath of a crisis.*

26. 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 subjected to an internal audit.

27. The seven areas in scope for the audit comprised of: (i) governance; (ii) beneficiary management; (iii) cash-based transfer; (iv) supply chain; (v) monitoring; (vi) non-governmental organization management; and (vii) budget management. The audit also performed a limited review of risks related to diversity including gender.

28. The audit team undertook a two-week in-country visit, covering the country office in Conakry and a field visit to the sub-office in Kankan.

29. The audit partially relied on the regional bureau's recent oversight coverage of finance, logistics and cash-based transfer carried out between August and October 2022. As a result, a few control tests were scoped out of the audit. At the time of the audit visit, work was in progress to implement recommendations resulting from these missions.

30. 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

31. Six observations arose from the audit of the areas in the scope (see [paragraph 25](#)). The observations are grouped into four areas: (i) governance; (ii) programme management, covering results in beneficiary management, monitoring and non-governmental organization management; (iii) operations and delivery, covering cash-based transfers and supply chain; and (iv) budget management.

32. 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

33. The audit reviewed the organizational structure, staff skills, oversight activities, functioning of committees, segregation of duties as well as risk management practices.

34. The country director, supported by the regional bureau (through a cross-functional mission from its supply chain, anti-fraud and anti-corruption as well as risk management teams), organized several anti-fraud and anti-corruption awareness sessions for WFP staff, partners and suppliers and encouraged staff to speak up about inappropriate and abusive conduct. The country office has proactively reported fraud and corruption allegations corporately.

35. Efforts to regain donor confidence and improve the quality of donor reports significantly improved the country office's resource outlook with USD 33.0 million earmarked as high probability forecasts. In addition, a process streamlining exercise helped reduce the lead time for local purchases by 70 percent and for cash-based transfers by 55 percent compared with 2020.

#### Observation 1: Structure, skills and oversight

36. More than 70 percent of controls tested were either not in place or partially functioning.<sup>3</sup> There were pervasive control breakdowns in programme areas (i.e., beneficiary management, non-governmental organization management, monitoring, gender and diversity mainstreaming); procurement, and food safety and quality; and budget management.

37. The scaling down in staff numbers driven by the funding shortfall was not sufficiently planned to consider the impact on controls, leaving the country office reliant on a small pool of staff. Staff, even existing and long-serving, reported limited knowledge of corporate standards across most areas audited. Activity and functional managers did not fully understand their roles and responsibilities in resource management. Committee members did not understand procurement rules and regulations. There had been no management oversight over decentralized processes and controls in field offices since 2020.

38. Further, at times in the period in scope, functional managers were on temporary assignments abroad.

39. As a result, management had limited visibility on unmitigated risks and their impact on operations. As an example, insufficient financial oversight led to (i) non-compliance with the International Public Sector Accounting Standards for expense recognition, (ii) inaccurate donor reporting, and (iii) a possible breach of expense eligibility and validity requirements in the concerned donor grants. In order not to return unspent funds from donor grants at expiry date, expenses amounting to USD 960,000 related to goods and services for grants close to expiry date, were recorded in the accounting system before being received. Actual invoices were paid when these goods and services were subsequently received.

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<sup>3</sup> Of the 39 controls tested, 33 (i.e., 85 percent) were not functioning or partially functioning.



40. Several committees' terms of reference were not updated to reflect membership changes. The Procurement and Contracts Committee and Cooperating Partner Committee did not fully undertake their expected responsibilities, including completing conflict of interest declarations and reviewing third-party rosters, risks and capacity assessments.

Underlying cause(s): Gap in the country director position for several months and deficiencies in management oversight; rushed scaling-down in staff numbers without considering ownership for controls; insufficient management oversight; suggested corporate office structure models not considered; limited staff knowledge, skills and discipline to apply corporate standards; and oversight by the regional bureau not prioritized because of the small size of operations.

#### **Agreed Actions** [High priority]

1. The country office, with the support of the Regional Bureau for Western Africa, will review its management structure against corporate models, to strengthen centralized management oversight especially in programme, operations, and budget management.
2. The country office, with the support of the Regional Bureau for Western Africa, will carry out a learning and needs assessment and deploy the necessary trainings to staff.
3. The country office will review committee membership and staff terms of reference to clarify accountabilities, roles and responsibilities for control and management oversight activities.
4. The Regional Bureau for Western Africa will review its oversight plan to include, on a risk-informed basis, small operations with no previous oversight coverage.

#### **Timeline for implementation**

1. 31 July 2023
2. 31 October 2023
3. 30 June 2023
4. 30 June 2023

### **Observation 2: Risk and fraud risk management**

41. Guinea has a high inherent level of fraud and corruption risk. Several allegations of collusion between external parties and staff members, as well as theft, were reported in line with corporate guidance to headquarters. Fraud risks relating to food diversion and beneficiary information were included in the country office risk register. Nonetheless, fraud risk exposure relating to unfair tendering practices, conflicts of interest (related forms not being signed by suppliers and procurement committee members), possible collusion in procurement and vendor selection, and the misappropriation of WFP resources remained high.

42. Risks relating to monitoring, non-governmental organizations, beneficiary feedback, food safety, and quality, gender, and diversity were not captured in the risk register and, hence, not managed.

Underlying cause(s): limited country office capacity and expertise in risk and fraud risk management (see [observation 1 - Structure, skills and oversight](#))

#### **Agreed Actions** [High priority]

1. The country office, with the support of the Regional Bureau for Western Africa, will carry out a fraud and corruption risk assessment and establish mitigating measures on priority processes.
2. The country office will strengthen its risk management and establish key mitigating measures.





### Timeline for implementation

1. 30 July 2023
2. 30 August 2023

## Programme management

43. The audit assessed the key controls over beneficiary targeting, verification, feedback mechanisms, non-governmental organizations management, monitoring and gender and diversity.

44. The country office uses the corporate mobile operational data acquisition platform to register beneficiary information and for outcome monitoring. The research, assessment and monitoring unit comprised of six monitoring staff.<sup>4</sup> There was some data triangulation of third-party monitors information at the household level to identify anomalies in primary data collection. During the audit period, the country office signed 27 field-level agreements for a total value of USD 1.4 million with partners (i.e., government entities as well as local and international non-governmental organizations) to implement activities.<sup>5</sup>

### Observation 3: Targeting, partners and gender and diversity

45. Targeting guidelines were in draft since 2018 and there was an approved targeting strategy only for school feeding. Targeting criteria for the emergency activities were not fully defined. Key prioritization decisions because of funding and capacity constraints were not communicated to national partners, increasing the risk of inclusion and exclusion errors, and inconsistency across geographical regions.

46. Corporate controls required for managing non-governmental organizations were not in place. These included assessments of capacity, including of protection from sexual exploitation and abuse, due diligence checks,<sup>6</sup> performance evaluations, spot-checks and invoice verification. There were several inconsistencies in project duration, financial advance amounts, contract extension, invoice quality, and delays creating financial commitments in WFP systems. The country office issued 101 purchase orders to 27 partners under 70 field-level agreements, which represented a significant transactional workload. There was an opportunity to improve process efficiency in leveraging the UN Partner Portal to launch calls for interest as well as to vet and select partners.

47. There was no organizational structure in place nor the capacity to help mainstream gender and diversity in programme activities and in the work environment. The country office did not participate in gender working groups, either at WFP or in the inter-agency context.<sup>7</sup>

Underlying cause(s): Insufficient number of staff in the country office for research, assessment and monitoring, compounded by staff's limited knowledge of corporate guidance and insufficient skills in programme management (see [observation 1 - Structure, skills and oversight](#)); decentralized processes to sub-offices with unclear roles and responsibilities; and gender and inclusion budgets not considered in the ICSP design.

<sup>4</sup> Comprising of two staff based in Conakry reporting to the head of programme and four in the sub-offices reporting to the head of each sub-office.

<sup>5</sup> 72 percent of the total amount related to implementing livelihood activities.

<sup>6</sup> The country office was unable to provide evidence of the due diligence checks before signature of field-level agreements, including checks against UN sanctions.

<sup>7</sup> These include WFP gender results network, WFP regional gender platforms, WFP gender transformation programme and interagency coordination over gender thematic groups.

**Agreed Actions** [High priority]

1. The country office will, with the support of the Regional Bureau for Western Africa:
  - a) recruit expert skills to strengthen its research, assessment, and monitoring team; and
  - b) develop a targeting strategy and criteria for all activities, and clarify programme roles and responsibilities of staff for through documented standard operating procedures
2. The country office will establish country context specific gender and inclusion guidelines.

**Timeline for implementation**

1. 31 October 2023
2. 30 June 2023

**Observation 4: Feedback mechanisms and monitoring**

48. Beneficiaries visited by the audit team were unaware of the toll-free number activated since 2020. The country office collected feedback and complaints during targeting and distribution through community committees. These local committees collected complaints informally without systematic mechanisms to escalate the information to WFP. The regional bureau deployed to the country office a feedback mechanism expert support mission in November 2022 to help design and implement referral systems.

49. At the time of the audit fieldwork, the country office's monitoring strategy and relevant standard operating procedures were not defined to reflect actual practices. The country office used corporate tools to plan and to cost monitoring needs for 2021 and 2022, albeit without considering sub-offices' on-site monitoring plans and process monitoring for all programmatic activities. Due to funding constraints, the research, assessment and monitoring unit did not benefit from a dedicated budget or resources to deliver on monitoring plans. Further, field monitors were mostly involved in implementing programme activities.

50. Field monitors reported the results of their monthly process monitoring visits by email to activity managers. The research, assessment and monitoring unit in Conakry did not have a systematic approach to consolidate monitoring findings, resulting in inadequate visibility on overall monitoring coverage and adherence to the minimum requirements for process monitoring.

Underlying cause(s): limited awareness of the importance of complaints and feedback mechanisms; funding constraints; country office management yet to analyse and prioritize monitoring needs; absence of standard operating procedures; insufficient number of staff; and insufficient skills and discipline to ensure application of monitoring corporate standards (see [observation 1 - Structure, skills and oversight](#)).

**Agreed Actions** [High priority]

1. The country office, with the support of the Regional Bureau of Western Africa, will establish channels for internal and external complaints and feedback, in consultation with affected populations and partners.
2. The country office will:
  - a) Assess its monitoring needs across interventions and allocate an appropriate level of resources in its country portfolio budget to implement monitoring plans and achieve minimum coverage in line with corporate guidelines.
  - b) Establish procedures to clarify roles and responsibilities for monitoring including tracking monitoring issues.



### Timeline for implementation

1. 31 May 2023
2. 30 June 2023

## Operations and delivery

51. In 2021, the country office delivered 6,000 metric tons of food, mostly purchased from local food suppliers, and USD 3.6 million of cash-based transfer<sup>8</sup> through two financial service providers.<sup>9</sup> In the period in scope, local procurement amounted to USD 7.8 million, of which 36 percent was for goods and services. The supply chain unit was staffed with 14 procurement and logistics personnel and reported to the national head of unit.

52. In 2022, the regional bureau's cross-functional oversight mission on cash-based transfer identified segregation of duties, digitization and functioning of the cash working group as areas to improve. The logistics compliance review identified gaps in logistics market assessment and contracting. At the time this report is written, the country office is working on the recommended corrective actions.

53. The audit tested key controls such as procurement planning, vendor selection, due diligence (including food safety and quality aspects) and performance management. The audit also reviewed cash-based transfer reconciliations and beneficiary data management not fully covered by the regional bureau.

### Observation 5: Data, cash-based transfer reconciliations and procurement

#### *Management of beneficiary data and lists*

54. Excel files were used for registering and managing beneficiary data; they did not have an audit trail for changes to master data and there were no review and approval controls over changes made. To process payments, programme and finance staff manually transformed beneficiary lists for upload into the financial services providers' platforms. This manual process was prone to potential manipulation and mistakes.

55. There were data quality issues, like several duplicate identity numbers, or no data cleaning or standardization to ensure effective deduplication controls. Some duplicates arose because vulnerable beneficiaries without identity cards were initially registered with the identification document number of their family members (also potential recipients of WFP assistance). Those cases were not escalated for further follow-up and validation by the programme unit or management. The need to develop a dedicated strategy to eliminate these duplicates were highlighted in the regional bureau oversight mission.

#### *Supply Chain*

56. During the audit period, there were no market assessments nor a food procurement strategy. A goods and services procurement plan was approved by the country director in September 2022. There were important exceptions to corporate procurement standards namely:

- Absence of a vendor list, due diligence checks (other than UN Sanctions List checks), and vendor performance evaluation.
- Inconsistent use of the corporate electronic tendering system and absence of follow-up with suppliers who did not submit an offer in response to a tender.
- Absence of performance bonds from food suppliers as per contractual agreements.

<sup>8</sup> 71 percent of cash-based transfers was unconditional transfers for emergency assistance.

<sup>9</sup> The financial service providers delivered bank account and mobile money transfers to beneficiaries.



57. The review of local food suppliers showed several gaps in the application of WFP food safety and quality standards: (i) an absence of assessments during the selection of new food suppliers to ensure their compliance with WFP corporate standards; and (ii) the use of outdated food specifications (from 2014) for locally sourced commodities. Furthermore, the country office used the National Office of Control and Quality to test commodities, albeit without a contractual agreement in place and without its capacities having been assessed by WFP.

58. Overall, there was a low level of transparency over procurement processes and a high risk of contracting potentially non-qualified vendors and of collusive or fraudulent practices.

Underlying cause(s): absence of a system to manage beneficiary data and cash-based transfers; insufficient management oversight by the regional bureau; limited staff knowledge of corporate controls; and insufficient management oversight at the country level to enforce controls (see [observation 1 - Structure, skills and oversight](#));

#### **Agreed Actions** [High priority]

1. The country office will, in consultation with the Regional Bureau of Western Africa and the headquarters data assurance team, establish a digital solution to manage beneficiary master data, payment lists and cash-based transfer reconciliations.
2. The Regional Bureau of Western Africa will monitor and oversee the implementation of controls in procurement and food quality and safety controls in the areas identified by the audit.

#### **Timeline for implementation**

1. 31 August 2023
2. 30 June 2023

## **Budget management**

59. The country office budgeting and programming senior associate, reporting to the country director, led the resource management function with support from one budget and programming assistant.

60. The audit reviewed the structure, capacity and skills of the resource management function; alignment of the implementation plan with resource levels; advance financing coordination mechanisms; monitoring of grants; and monitoring of budget versus actual expenses.

### **Observation 6: Implementation plan and expense recognition**

61. The resource management committee met regularly with key staff in attendance. Meetings did not cover funds monitoring and resource outlook nor were deliberations documented.

62. Activity managers and functional unit heads did not maintain resource management reports and spending plans to structure their priorities and responses, in alignment with the implementation plan. The absence of regular implementation plan review and validation resulted in inaccurate programmatic rates for associated costs (especially staff costs); overspent against planned cost categories; and misalignment between budget and actual contribution revenues.

63. The recent regional bureau finance oversight mission highlighted issues in expiring grants management; the need for budget management training for activity managers; and associated cost management assigned to the finance unit instead of the budget and programming unit.



64. The country office was unable to pay back the long overdue existing advance finance balance amounting to USD 228,905. It also did not comply with the International Public Sector Accounting Standards for expense recognition as detailed in [observation 1 – Structure, skills and oversight](#).

Underlying cause(s): Regular review of implementation plan not prioritized; insufficient consultation with headquarters; and insufficient skillset and financial oversight (see [observation 1 - Structure, skills and oversight](#)).

**Agreed Actions** [Medium priority]

1. The country office will regularly revise the implementation plan in consultation with the resource management committee.
2. The country office, in consultation with the relevant headquarter units in finance and budget, will:
  - a) determine the repayment plan for the overdue advance finance balance.
  - b) review and adjust expenses to ensure compliance with the International Public Sector Accounting Standards and grants validity period.

**Timeline for implementation**

- a) 30 June 2023
- b) 31 August 2023



## 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, with two actions addressed corporately.

#	Observation (number / title)	Area	Owner	Priority	Timeline for implementation
1	Structure, skills and oversight	Governance	Country office  Regional bureau	High	1. 31 July 2023 2. 31 October 2023 3. 30 June 2023 4. 30 June 2023
2	Risk and fraud risk management	Governance	Country office	High	1. 30 July 2023 2. 30 August 2023
3	Targeting, partners and gender and diversity	Programme management	Country office	High	1. 31 October 2023 2. 30 June 2023
4	Feedback mechanisms and monitoring	Programme management	Country office	High	1. 31 May 2023 2. 30 June 2023
5	Data, cash-based transfer reconciliations and procurement	Operations and delivery	Country office Regional bureau	High	1. 31 August 2023 2. 30 June 2023
6	Implementation plan and expense recognition	Support	Country office	Medium	1. 30 June 2023 2. 31 August 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
<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>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>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>10</sup>

### 3 Monitoring the implementation of agreed actions

<sup>10</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.



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

<b>ICSP</b>	Interim country strategic plan
<b>UN</b>	United Nations
<b>UNSDCF</b>	United Nations sustainable development cooperation framework
<b>USD</b>	United States dollars
<b>WINGS</b>	WFP information network and global systems
<b>WFP</b>	World Food Programme